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China

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Daily Report

China

FBIS-CHI-95-009

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General

Further on Foreign Ministry News Conference

Comments on IPR Talks

OW1201132795 Beijing XINHUA Domestic Service in Chinese 1051 GMT 12 Jan 95

[FBIS Translated Text] Beijing, 12 Jan (XINHUA)—On 12 January, Foreign Ministry Spokesman Shen Guofang answered questions raised by reporters concerning negotiations between China and the United States on intellectual property rights [IPR] and the situation in Chechnya at the news conference.

A reporter asked: Are you optimistic about the resumption of Sino-U.S. IPR negotiations?

Shen Guofang said: China and the United States have tentatively decided through discussion to reopen IPR negotiations from 18-20 January. As a matter of fact, the Chinese side has never closed the door to negotiations. We believe that negotiations should be held on the basis of the principles of equality, mutual benefit, and mutual respect of sovereignty, as well as on the basis of consultations held on an equal footing for the purpose of settling the trade and economic disputes between the two countries. The Chinese side is firm in its attitude toward IPR protection and is prepared [yuan 1959] to make efforts to reach an agreement at the negotiations. We hope the U.S. side will also display due sincerity.

A reporter asked: Do you think a trade war will break out between China and the United States?

The spokesman said that the Chinese Government always attaches importance to relations between China and the U.S. and to the development of bilateral economic and trade cooperation. "We are prepared to work with the U.S. side and seek to resolve the existing trade frictions between the two sides through consultations on the basis of respect of each other's sovereignty, respect of facts, and equality and mutual benefits." He pointed out: "We hope that the U.S. Government will set great store by the overall interests of relations between the two countries and immediately correct [jiu zheng 4763 2973] its erroneous action [cuo wu zuo fa 6934 6137 0254 3127] of meting out trade retaliation against China, so that the economic and trade ties between the two sides will be able to continue to improve and develop on the basis of equality and mutual benefit."

At the request of a reporter to comment on the current situation in Chechnya, the spokesman said: The Chechnya issue is an internal affair of the Russian Federation. We hope this issue can be resolved appropriately and the situation will be stabilized as soon as possible.

Speaks on Deng's 'Good Health'

HK1201135095 Beijing ZHONGGUO XINWEN SHE in Chinese 1214 GMT 12 Jan 95

[FBIS Translated Excerpt] Beijing, 12 Jan (ZHONGGUO XINWEN SHE)—Chinese Foreign Ministry

spokesman Shen Guofang once again stated at this morning's press conference: "Comrade Deng Xiaoping is in good health [shen ti shi jian kang de 6500 7555 2508 1696 1660 4104]." However, it is hard to predict whether he will appear on television on the eve of the Spring Festival.

Commenting on a report issued a few days ago about Hong Kong's Jardine Company expressing its willingness to foster cordial ties with China, Shen Guofang said that China welcomes capital from all countries to develop business in Hong Kong through fair competition, which will play a positive role in maintaining the social stability and economic prosperity of the region. The Chinese side pays more attention to actions.

On the question of Vice Premier Qian Qichen's visit to Britain, Shen said that the British Government had already issued an invitation, but the actual date of the visit had not been decided yet. [passage omitted]

Views Upcoming Human Rights Talks

HK1201133095 Hong Kong AFP in English 1314 GMT 12 Jan 95

[FBIS Transcribed Text] Beijing, Jan 12 (AFP)—China made it clear Thursday that it will not make major concessions during three days of Sino-US talks on human rights, a foreign ministry official indicated.

The US assistant secretary for human rights, John Shattuck, was expected to arrive in Beijing late Thursday for several meetings with Chinese leaders on the volatile issue. The United States embassy here has not specified the program of his visit. But a spokesman for the Chinese Foreign Ministry told AFP that, "We hope this visit by Mr Shattuck for the purpose of human rights dialogue can be helpful to enhance mutual understanding."

"The Chinese side is always of the view that because China and the US differ in social systems and economic development, it is only natural that the two sides will have differences on some issues."

Diplomatic and economic pressure by the United States on China to improve its human-rights record have failed. But the two countries agreed in August to reopen talks on the issue, which were suddenly suspended by China last March after Shattuck met leading dissident Wei Jingsheng in Beijing. Wei was arrested a few weeks later and has been detained ever since. China has also detained several other dissidents in recent months and sentenced others to lengthy jail terms.

"We have always proposed that the two sides should settle and narrow those differences on the basis on mutual respect, treating each other as equals and seeking common ground while preserving differences," the foreign ministry spokesman added.

Shattuck met with China's vice minister of foreign affairs [title as received], Qin Huasun, in October in Washington to discuss human rights, but no progress was reported.

Zhu Rongji To Visit Europe

OW1201124095 Beijing XINHUA Domestic Service in Chinese 0928 GMT 12 Jan 95

[FBIS Translated Text] Beijing, 12 Jan (XINHUA)—Shen Guofang, a Chinese Foreign Ministry spokesman, announced here today: Vice Premier Zhu Rongji will pay an official visit to Portugal and Switzerland, respectively, from 18 to 28 January, at the invitation of the Governments of the Portuguese Republic and the Swiss Confederation. He will also attend the annual meeting of the World Economic Forum in Davos, Switzerland.

The spokesman also announced: Qian Qichen, vice premier and foreign minister, will pay an official goodwill visit to Zaire, Congo, Togo, Benin, and Nigeria 17 to 25 January at the invitation of the governments of those five countries.

Beijing's Opposition to UN Sanctions on Iraq Noted

OW1301035795 Beijing XINHUA in English 0346 GMT 13 Jan 95

[FBIS Transcribed Text] United Nations, January 12 (XINHUA) - The Security Council decided once again on Thursday to maintain unchanged the sanctions imposed on Iraq after its invasion of Kuwait in August 1990.

The decision was made at the council's regular 60-day review of the sanctions, which include a ban of Iraqi oil sales.

The 15 Security Council Members differed as to the lifting or modification of the sanctions against Iraq, imposed by a council resolution, no agreement was reached so far.

Speaking at the council meeting, U.S. Ambassador Madeleine Albright said her government was "determined to oppose any modification of the sanctions regime until Iraq has moved to comply with all its outstanding obligations."

She criticized Iraq for holding hundreds of Kuwaitis taken prisoner during the invasion, and not returning 9,000 items of military equipment "looted" from Kuwait.

At a Tuesday council consultations, Albright circulated satellite photographs of some of the Iraqi looted equipment, including 200 armored personnel carriers, 15 ground-to-ground missiles, 55 armored vehicles with missile launchers, and 4,000 TOW missiles.

Britain has identical views with the United States towards the sanctions, but China, Russia and France are of the opinion that with Iraq's positive moves in the implementation of the council resolution, the sanctions regime should be eased to encourage the country to fully comply with the resolution.

Addressing the council, French Ambassador Jean-Bernard Merimee described Iraq's November 1994 decision to recognize Kuwait as "a very important gesture."

However, he said, progress remains to be achieved by the Iraqi authorities for the lifting or modification of the sanctions.

Perry Says U.S. Ready To Offer Mediation on Kashmir

OW1201221095 Beijing XINHUA in English 1613 GMT 12 Jan 95

[FBIS Transcribed Text] New Delhi, January 12 (XINHUA)—The United States is ready to offer its mediation on Kashmir provided both India and Pakistan were agreeable to it, said visiting US Defense Secretary William J. Perry.

Addressing members of the prestigious United Services Institution here tonight, Perry said that India and Pakistan should work together to resolve issues like Kashmir and trans-border terrorism.

But he ruled out using its leverage with Pakistan to end trans-border terrorism though it hoped to play a more constructive and helpful role in resolving differences between Delhi and Islamabad.

He added that we don't control activities of other countries.

'Roundup' Views Perry's Pakistan Visit

OW1201221195 Beijing XINHUA in English 1613 GMT 12 Jan 95

["Roundup" by Pan Yi, Gong Min: "Perry's Pak Visit Rebuilds Military Ties"]

[FBIS Transcribed Text] Islamabad, January 12 (XINHUA)—The US Defense Secretary William Perry's visit to Pakistan was highlighted by the revival of the Pak-US Military Consultative Group.

Perry and his Pakistani counterpart Aftab Shaban Mirani agreed to use the group as a forum for the discussion of security issues between the two countries.

The Consultative Group, generally known as CG, was established in 1984 and met ten times before its unofficial discontinuation in 1990.

The group, said a joint communique, will meet annually to discuss regional situations, joint military exercises, trainings of military officers in both countries and identification of areas of mutual cooperation.

"We are hoping for a very early meeting of the group, perhaps as early as two months from now," Perry said at the press conference Wednesday [11 January].

He added, "We will also exchange information about defense planning, defense budgets, defense programs,

and exchange intelligence information about the threats that each of us sees in this region during the meetings."

Moreover, Perry said, the stalled F-16 jet fighters would be on the top of the CG's agenda.

Pakistan had paid 650 million US dollars for 38 F-16 jet fighters in 1989, but the US refused to hand over the planes or to return the money due to its suspicion over Pakistan's nuclear program.

The US also stopped its military and technical aid to Pakistan since 1990 in accordance with the Pressler amendment which forbid such aids to countries which, it claims, pose nuclear threats.

Perry claimed, "The position of the US on issue of the Nuclear Nonproliferation Treaty (NPT) is unchanged. We continue to work to stop the proliferation of nuclear weapons and we are in favor of South Asia being a nuclear-free zone."

However, a Pakistan official said The US knows clearly the stand of both Pakistan and India on NPT.

"We are not under pressure to sign NPT," the official said, denying reports that one of the main purpose for Perry's visit is to persuade both Pakistan and India to sign NPT.

According to Pakistan Prime Minister Benazir Bhutto, "There has been a shift in American policy and it is no more pressing Pakistan to sign the NPT unilaterally."

As to Pak-India relations, the United States stayed back to mediate between the two countries.

Perry said that the situation was not ripe for the US to mediate between India and Pakistan although many top Pakistani leaders asked the US to play a more active role on the issue.

During his stay in Pakistan, Perry held discussions with Prime minister Benazir, Defense Minister Mirani, Foreign Minister Sardar Asif Ali and top military official on bilateral relations, Kashmir and other issues of mutual concern.

Perry started his three-day official visit to Pakistan on January 10. He has left here this morning for New Delhi to continue his four-country Africa-Asia tour.

XINHUA Reports on Clinton, Murayama Talks

OW1201220995 Beijing XINHUA in English 1611
GMT 12 Jan 95

[FBIS Transcribed Text] Washington, January 11 (XINHUA)—U.S. President Bill Clinton said here today that America has no more important bilateral ties than those with Japan.

"We must move to strengthen the vital partnership between our peoples for the 21st century," Clinton said

at a joint press conference with Japanese Prime Minister Tomiichi Murayama following their meetings at the White House.

"In a dramatically changing world, we look to Japan as an unwavering friend, one devoted, as are we, to promoting peace and advancing prosperity," the president said.

But Clinton is apparently dissatisfied with the process of the trade negotiations between the two countries.

"Further progress must be made, especially in the areas of autos and auto parts, which make up the bulk of our trade deficit with Japan," Clinton stressed.

"I am firmly committed to opening the market in this and other areas," the president said, "we must redouble our efforts to assure further progress."

Murayama, who arrived here on Tuesday [10 January], said that Clinton and him confirmed the importance of Japan-U.S. relations during their meetings and agreed to further develop the relations towards the future.

"Both our governments share the view that it is important for Japan and the United States to firmly maintain the Japan-U.S. Security arrangements," Murayama added.

The prime minister also said that "the government of Japan strongly supports last year's agreed framework between the United States and North Korea."

Japan intends to play a significant financial role in the light-water reactor project, under an overall project scheme in which the Republic of Korea is expected to play the central role.

As regards the economic aspects, Murayama said that "we would continue to seriously engage ourselves in the Japan-U.S. framework talks."

"And during this pivotal year, I'm resolved to make efforts to advance the Japan-U.S. creative partnership, together with President Clinton, building on today's meetings as a good starting point," Murayama.

Column Views 'Excessive Scolding and Praising'

HK1201061195 Beijing RENMIN RIBAO in Chinese
6 Jan 95 p 6

["International Forum" column by Bu Wen (0592 0795): "Excessive Scolding and Praising"]

[FBIS Translated Text] Excessive scolding and praising was a famous phrase of Mr. Lu Xun. "Scolding" and "praising" are not included in the 36 stratagems, but there has been no lack of instances of using these two schemes since time immemorial.

In the recently shown television play "Romance of the Three Kingdoms [220-265 AD]," there are cases of using excessive scolding and praising. In front of a battle

formation, using the tactic of excessive scolding. Zhuge Liang [a statesman and strategist in the period of the Three Kingdoms] so severely scolded Wang Lang that he instantly felt off his horse to his death. Using the tactic of excessive praising, Sun Quan [ruler of the state of Wu during the period of the Three Kingdoms] expressed his readiness to acknowledge allegiance to Cao Cao [ruler of the state of Wei] and make him emperor, but the latter saw through the former's trick and was not duped. Cao Cao said that Sun Quan wanted to put him on a hot stove.

Clearly, excessive scolding and praising have been used since time immemorial and, moreover, one may well say they are being used most intensely nowadays.

After the disintegration of the Soviet Union, foreign countries stirred up an evil wind of abusing China. Some people flung abusive charges and curses and others predicted that China would perish within three, five, six, or 12 months. In a word, they wanted to topple China by abuse. However, amid their constant abuse, China developed more steadily rather than collapsing. Seeing that their trick of scolding would not work, some people used another trick, that is, excessive praising. In the last two years they have stirred up a wind of praising China as an economic power, saying that if the country develops in this way, it will become more powerful [bu de liao 0008 1779 0055] by the 21st century. Persons of good sense have noted that it is a trick used to frighten some countries and sow dissension among countries. People should not be fooled by their trick.

The purpose of vigorously praising China does not stop at this point. The recent talks on China's resuming the status of a signatory state to GATT have exposed the ulterior motives behind the vigorous praising of China. Ours is a just a developing country, with 80 million people who still have food and clothing problems, while its remaining 1.1 billion people having not yet achieved a well-off standard of living. Compared with developed countries, China still has a long, long way to go. Nevertheless, some people are obstinately commending China as a developed country. Thus, China's reentry to GATT must be carried out according to the conditions required of developed countries. This means praising one's bantam-weight opponent as a heavyweight contestant. In a contest between a bantam-weight and a super heavyweight, the latter can outweigh the former at will and will thus have full assurance of success. This is really a brilliant scheme.

China has never been taken in. Although China is now excluded from GATT and the already established World Trade Organization, the consequences remain unknown. Restoring China's membership in GATT as a signatory state should have been a matter of mutual benefit. China's failing to reenter GATT will naturally do it harm, but can other countries, the countries which have close economic ties with China in particular, thus benefit therefrom? As the Chinese saying goes, when the old

man on the frontier lost his mare, who could have guessed it was a blessing in disguise? China has always developed in a state of "being besieged." China has achieved its present development outside the "framework" of GATT. The application of outside pressures has always only helped boost the Chinese people's aspirations and rendered them bursting with energy. As the Chinese saying goes, much distress regenerates a nation.

Therefore, those who wanted to reject China's GATT membership by using the trick of excessive praising should not be overjoyed too soon. Again, as the Chinese saying goes, in good fortune lurks calamity. Those who wanted to subdue others by linking human rights and most-favored-nation status were once pleased with themselves, and never thought that they would get the bitter results they had sowed for themselves in the end. Those who want to lift a rock to hurt others will, more often than not, only hurt themselves.

United States & Canada

Daily Claims Piracy 'Pretext for Trade War'

HK1301070395 Beijing CHINA DAILY in English
13 Jan 95 p 4

[Article: "Piracy Just a Pretext for Trade War"]

[FBIS Transcribed Text] U.S. Trade Representative Mickey Kantor made known a list of Chinese imports on which the United States threatened to impose punitive tariffs if its demands are not met by February. This action was taken under the pretext that China has seriously infringed upon the intellectual property rights of the United States.

An editorial carried in the Washington Post of December 28 urged the U.S. Government to take a harsh line on China. The paper claimed that the United States suffered a loss of \$1 billion due to China's so-called piracy of intellectual property rights.

It also accused China of failing to strictly implement its rules and regulations on the protection of intellectual property rights.

This accusation, however, is totally groundless, argued an article in the Press and Publishing Journal. Retaliation and trade sanctions are old tricks often resorted to by the United States in settling its trade disputes with other countries. The real motive behind this U.S. barrage of threats is to exert pressure on China to make concessions.

The United States once claimed that it lost \$830 million as a result of piracy in China. Now that figure has jumped to \$1 billion. The U.S. Government, however, failed to give an explanation of their arithmetic methods.

In the past decade, the Chinese Government has made strenuous efforts to protect intellectual property rights. It

has passed legislation in this regard, the kind of provisions which have taken some developed countries several decades or even a century to implement. Strict legal and administrative measures have been taken to crack down on the piracy of books, video and audio products, films, and computer software.

Last April, the State Copyright Bureau and the Press and Publication Administration issued an urgent notice, demanding local governments to regulate the sale and production of compact discs (CDs). Four CD production lines in Guangdong Province and two in Hainan and Zhejiang Provinces were closed.

Last August, the State Council worked out a decree on the management of video and audio products. In a response, the Press and Publication Administration required all CD-producing factories to re-register their business.

The State Council also initiated a joint conference on the protection of intellectual property rights. The conference was attended by leading officials from the departments of foreign affairs, foreign trade, press and publication, copyright, culture, judiciary, public security, and customs.

As a result, campaigns were launched throughout the country to crack down on the piracy of intellectual property rights.

In Beijing, for example, four inspections were conducted last November. More than 200 stands selling CDs were eliminated and 50,000 units were confiscated. Similar checks were also made on book markets and computer software outlets.

The State Copyright Bureau required that companies which are entrusted by overseas companies to copy their audio and video products should make a registration of their contracts. It also demanded the CDs produced in China should carry a special mark, called SID [expansion unknown]. Otherwise, they would be regarded as having been illicitly produced and hence subject to confiscation.

The Standing Committee of the National People's Congress passed a decision last July on the punishment of copyright violators. Heavy fines would be imposed on infringers. Some might face one to seven years' imprisonment.

Since 1993, special courts dealing with cases concerning intellectual property rights have been established in many provinces and municipalities such as Beijing, Shanghai, Guangdong, Hainan, and Fujian.

The Beijing Intermediate People's Court, for example, has dealt with over 30 cases involving the piracy of overseas copyrights.

These facts show that China has made remarkable progress in protecting intellectual property rights.

Negating these facts, the U.S. Government demanded that China close down all its CD-producing factories.

The root cause of the Sino-US conflict on the intellectual property rights, in fact, lies in the two countries' trade volume, said the article. During the past several years, China has kept a favourable balance of trade with the United States.

Under this situation, instead of trying to improve the quality of their products and reducing the cost, the United States intends to seek retaliation towards China with the pretext of intellectual property rights.

It is impossible to root out illicit practices overnight, said the article. China will make continuous efforts to protect intellectual property rights and enlarge its cooperation with other countries in scientific and cultural fields.

In any situation, however, China will not yield to pressure from outside.

Academic Sees Thaw in Chilly Sino-U.S. Relations

HK1301024895 Beijing CHINA DAILY in English
12 Jan 95 p 4

[By Wang Jisi, Chinese Academy of Social Sciences director of American studies: "Despite Current Chill, Sino-U.S. Ties Sure To Thaw"]

[FBIS Transcribed Text] The relationship between China and the United States saw continuous improvement in 1994 but serious dissensions still exist.

After years' of swaying on China's Most Favoured Nation (MFN) trading status, the Clinton administration announced its decision to renew China's MFN status, disconnecting it with the so-called human rights improvements.

Such active measures by the United States helped form a solid base for further strengthening the bilateral relations.

The Clinton administration over the past year has gained a deeper understanding of China's rapid economic growth, stable internal conditions, and increasingly important role in global affairs.

As a result, strengthening its relationship with China has become a high priority of American foreign policy.

This year, Sino-U.S. ties are expected to be enhanced even further.

The presidents of both countries are scheduled to meet again during the 3rd Asia Pacific Economic Cooperation meeting in Osaka, Japan.

And President Jiang Zemin is also expected to be invited to the commemoration ceremony of the 50th anniversary of the United Nations, in New York.

There are, however, four remaining stumbling blocks to the development of Sino-U.S. relations: Economic disputes, security affairs, the human rights issue, and disagreements over the status of Taiwan.

Although bickering over the human rights issue has sharply decreased during the past year the lingering differences on the issue are the fundamental causes of conflicts on other fronts between the two nations.

Due to obstacles set up by the United States, China failed to resume its GATT status by the self-imposed deadline of the end of 1994.

Concern over its own economic and political well-being is the final reason the United States erected barriers to China's GATT re-entry.

Bilateral business and trade will also meet with conflict in future and the scale of the struggles are likely to expand.

The Taiwan issue may prove to be the most troublesome conflict between the two, due largely to the increasingly active role the United States is playing to facilitate Taiwan's changes.

The Clinton administration adjusted its policies on Taiwan last year, actually upgrading relations with the island.

Their new policy sticks to the decades-old view that the mainland and the island should split politically without any military conflicts.

There are rumblings within the U.S. Government and the general public in favour of China slowing down progress on the Taiwan issue.

More American politicians—in both the Clinton administration and the Congress—are supportive of policies encouraging Taiwan's economic and political growth.

And political heavyweights from the island are lobbying aggressively for influence with the United States, especially the Congress. This has aroused the concern of the mainland.

Both government officials and media in the United States have spread their notorious view of the so-called "China threat" over the past year.

Traditionally increasing military fees of China were the major basis for America to publicize its "China-threat" view.

But now, China's positions on issues such as business, politics, arms sales, immigration, and environmental protection have become new grounds for American efforts to defame China.

And now the United States is spreading its view of the sluggish condition of intellectual property rights in China which has already caused a severe tit-for-tat fight from China.

Some Americans feel that China's rapid economic growth, coupled with its political structure, is the most significant threat to the long-term interests of the United States.

Such people believe that China's increasingly important role in changing the world's status quo will interfere with U.S. interests in the existing world political structure.

The terminal election system of the United States will hardly cause serious problems for Sino-U.S. relations but some newly elected congressmen may bring China troubles on issues such as Taiwan, Tibet, and human rights.

With the end of the four-decade Cold War, the United States has retained its most powerful status in global politics but it is beginning to lose some of its clout.

At the same time, China is becoming more influential worldwide, thanks to its 16-year programme of opening-up and reform.

However, the two countries are neither strategic enemies nor allies and communication and co-operation between them will be furthered.

Accordingly, struggles over political systems and values will remain serious.

And multiple foreign policies and internal organizations are expected to become more important to Sino-US relations.

Central Eurasia

'News Analysis' Views Threat of Chechen War on Russia

OW1301053695 Beijing XINHUA in English 0523
GMT 13 Jan 95

["News Analysis" by Zhang Tiegang: "Chechen War Threatens Russia's Economy"]

[FBIS Transcribed Text] Moscow, January 13 (XINHUA)—The escalating cost of Russia's war in Chechnya poses a serious threat to the already fragile Russian economy, analysts here warn.

This year was supposed to be the year the ongoing economic reform efforts would finally kick-start the country's economy and improve people's standard of living.

Instead, many analysts believe 1995 will be the year in which the costs of the unforeseen war in Chechnya will blow a huge hole in Russia's already overstretched draft budget for 1995.

Some estimates put the cost of Russia's military operations in Chechnya, together with the cost of restoring the devastated economy of the breakaway North Caucasian republic, as high as 15 trillion rubles (about 4.2 billion U.S. dollars).

The estimates are based on calculations that the military operations will cost some 1.4 billion dollars, while reestablishing order and rebuilding key facilities will cost another 2.8 billion dollars.

Mikhail Zadornov, chairman of the budget and finance committee of the State Duma (the lower house of the Russian parliament), confirmed the estimate for military spending.

The economy ministry had previously set the figure at around one billion dollars.

"Expenditure on military operations in Chechnya derails the whole plan for a tight financial policy put forward by the government," Zadornov told Ekho Moskvyy Radio earlier this week.

According to press reports here, the 1995 draft budget has been altered to take into account the economy ministry's estimates of the cost of the war in Chechnya. State investment would be cut and other expenditures restructured to balance the budget.

But if the cost of the war does in fact reach 4.2 billion dollars, Russia's 1995 budget deficit would swell from a projected level of 7.7 percent of gross domestic product to around 9.5 percent. This would be sure to jeopardize the 12.7 billion dollars in credits that Moscow is seeking from international loans.

If international funds dry up, the government will be compelled to turn to low-interest loans from its own Central Bank to finance the deficit. This in turn would fuel inflation, making a mockery of government promises to reduce the monthly rate of inflation to 2 or 3 percent by the end of the year.

Monthly inflation hit an eleven-month high of 16.4 percent last December.

Some 420 oil and gas facilities have been damaged in Chechnya since December 11, 1994, when Russian troops moved into the breakaway republic, according to press reports. Extensive bombing and shelling has destroyed many buildings and roads there.

Since the war began, Russia has moved some 40,000 troops and equipment from all over Russia to Chechnya, 1,500 kilometers south of Moscow. According to the latest issue of the Moscow News Weekly, as many as 182 Russian armored vehicles and tanks, plus 14 helicopters and planes, have been destroyed. Dozens of other tanks and armored vehicles have been damaged or captured.

Meanwhile, Moscow has spent about 55.5 million dollars providing relief for an estimated 350,000 refugees who have fled the region, NTV television reported.

As the war goes on, the costs continue to mount, placing ever-greater strains on a tight budget and on a population that was assured that this year the government's reform policy would finally pay off.

Northeast Asia

Official Reportedly Says Jiang To Visit Japan in Nov

OW1201131495 Tokyo YOMIURI SHIMBUN in Japanese 12 Jan 95 Morning Edition p 2

[By Toshiaki Arai]

[FBIS Translated Text] Beijing, 11 January—Chinese Vice Foreign Minister Tang Jiaxuan said that President Jiang Zemin will visit Japan in November and National People's Congress Chairman Qiao Shi in April. This comment came at his 10 January meeting with the Japanese delegation of the Japan-China Friendship Association (led by Ikuro Hirayama) now visiting Beijing, a concerned source disclosed on 11 January.

Jiang will visit Japan to attend an informal summit meeting of the Asia-Pacific Economic Cooperation (APEC) forum to be held in Osaka, while Qiao will visit at the invitation of the speakers of the both houses of the Japanese Diet.

According to the source, State Councillor Li Tieying will also visit Japan as a guest of honor of the Ministry of Foreign Affairs in mid-February at the earliest. Li was scheduled to visit Japan to attend the Hiroshima Asian Games held last fall but he cancelled the visit, protesting Taiwan's Executive Yuan Vice President Hsu Li-teh's attendance at this sporting event.

In meeting with Finance Minister Masayoshi Takemura on 10 January, Chinese Premier Li Peng said that the president or the premier himself will go to Japan after the Japanese prime minister visits China. But it is reported that Tang never mentioned Li's Japan visit during his meeting with the Japanese delegation.

Sino-Japanese Groups Hold 6 Jan New Year Party

OW1201121795 Beijing XINHUA Domestic Service in Chinese 1549 GMT 6 Jan 95

[By reporter Zhang Huanli (1728 3562 0448)]

[FBIS Translated Text] Tokyo, 6 Jan (XINHUA)—On 6 January, the Association for the Promotion of International Trade (APIT) and the Japan-China Association of Economy and Trade of Japan held a grand new year reception at the Hotel New Otani in Tokyo. Japanese and Chinese at the party extended their wishes that Japan and China would further develop their trade and economic ties in the coming year.

At the reception, APIT President Fumio Sakurachi said: During the past year, Japan and China have satisfactorily developed their relations; their trade and economic ties, in particular, have grown fairly rapidly. Trade volume between Japan and China reached an all-time high. This is very inspiring.

He said: China's rapid economic growth has made an important contribution to the world economy's recovery and development and to the maintenance of peace in Asia and the world.

Xu Dunxin, Chinese ambassador to Japan, said at the reception: Sino-Japanese trade and economic relations grew by leaps and bounds last year. The rapid growth in Sino-Japanese trade and economic relations could not have been achieved without the APIT's efforts, Japan-China Association of Economy and Trade, and other friendly organizations. He believed that such ties will further develop in the new coming year.

Xu Dunxin said: The Asia-Pacific Economic Cooperation forum is going to hold a meeting in Osaka, Japan this year. As Japan is a friendly neighbor and an important trade partner to China, China supports Japan in holding this meeting.

About 600 people, including Ryoichi Kawai, Japan-China Association of Economy and Trade president, responsible persons from other Japanese-Chinese friendship organizations, persons from various circles in Japan, and representatives of overseas Chinese, attended the reception at invitation.

Southeast Asia & Pacific

ADB Approves Loan to Agriculture Bank of China
OW1201140695 Beijing XINHUA in English 1249
GMT 12 Jan 95

[FBIS Transcribed Text] Manila, January 12 (XINHUA)—The Asian Development Bank (ADB) today approved a loan of 100 million dollars and a technical assistance grant of 830,000 U.S. dollars to the Agriculture Bank of China (ABC).

The loan from the bank's ordinary capital resources, will be used by ABC to finance 60 investments in new and existing rural township and village enterprises, most of them located in poor inland provinces.

The technical assistance grant will be dedicated to the strengthening of ABC's commercial finance and management information systems and the development of an accounting system.

Luo Gan Discusses Ties With Brunei Sultan
OW1201220895 Beijing XINHUA in English 1623
GMT 14 Jan 95

[FBIS Transcribed Text] Hong Kong, January 12 (XINHUA)—Brunei Sultan Bolkiah Hassanali today met with visiting Chinese State Councilor Luo Gan in Bandar Seri Begawan, capital of Brunei, according to reports reaching here.

During the meeting, Luo Gan, also secretary-general of the Chinese State Council, conveyed Chinese President Jiang Zemin's regards to the sultan.

The sultan asked Luo to convey his best wishes to the Chinese president.

In reviewing the long history of friendly exchanges between China and Brunei, Luo Gan expressed satisfaction with the rapid development of the relations between the two countries since they established diplomatic relations.

He said he hopes the two sides will continue to develop their good-neighborly and friendly relations on the basis of the Five Principles of Peaceful Coexistence.

He noted that it is the consistent stand of the Chinese Government that all countries, large or small, strong or weak, are equal members in the international community and should be treated on an equal footing in international affairs.

He said that countries should respect one another without intervening in other's internal affairs, including respect for people's choice of social systems and ways of life, for their beliefs and values, and without imposing one's will on others.

China is willing to maintain good-neighborly and friendly relations with the Southeast Asian countries including Brunei, enhance mutually beneficial cooperation and make positive contributions to the peace and prosperity in the region and in the world, Luo Gan stated.

Sultan Bolkiah said that from ancient times Brunei and China have been friendly neighbors without historical disputes.

On his recollections of his visit to China in 1993, he said that he had felt the deep friendship between the two peoples.

He expressed his appreciation of China's position and principles on state-to-state relations and said he believes China is an important force for peace.

Chinese Ambassador to Brunei Liu Xinsheng was present at the meeting.

Luo Gan and his party arrived in Brunei on January 11 at the invitation of the Brunei Government.

Today Luo also met with Brunei's Minister of Foreign Affairs Mohamed Bolkiah and Minister of Home Affairs and Special Adviser to the Prime Minister Isa on separate occasions. The foreign minister gave a banquet in honor of the Chinese visitors.

Qian Expresses Condolences for Former Lao President

OW1201064095 Beijing XINHUA in English 0605
GMT 12 Jan 95

[FBIS Transcribed Text] Beijing, January 12 (XINHUA)—Chinese Vice-Premier and Foreign Minister Qian Qichen went to the Lao Embassy here this morning

to pay condolences on the death of Souphanouvong [name as received], former president of the Lao People's Democratic Republic [LRPR].

Souphanouvong, an advisor to the Central Committee of the Lao People's Revolutionary Party (LPRP), died from heart disease on Monday.

The Central Committee of the Communist Party of China (CPC) sent a wreath as a token of its condolences.

Wreaths were also laid by Qiao Shi, a standing committee member of the Political Bureau of the CPC Central Committee and chairman of the National People's Congress (NPC) Standing Committee, Li Ruihuan, also a standing committee member of the politburo of the CPC Central Committee and chairman of the Chinese People's Political Consultative Conference (CPPCC) National Committee, as well as by Qian Qichen.

Qian, also a member of the Political Bureau of the CPC Central Committee, wrote in the embassy condolence book: "Heartfelt condolences on the demise of Souphanouvong, advisor to the Central Committee of the LPRP, prominent leader of the Lao party and state, and old friend of the Chinese people."

Accompanying Qian were Wang Hanbin, vice-chairman of the NPC Standing Committee, Hong Xuezhi, vice-chairman of the CPPCC National Committee, and officials from other state departments.

The Foreign Liaison Department of the CPC Central Committee, the Ministry of Foreign Trade and Economic Co-operation, and the Chinese People's Association for Friendship with Foreign Countries also sent wreaths.

Near East & South Asia

Chinese Military Delegation Arrives in Bangladesh

OW1201103795 Beijing XINHUA in English 0709
GMT 12 Jan 95

[FBIS Transcribed Text] Dhaka, January 12 (XINHUA)—A nine-member Chinese military delegation led by General Fu Quanyou, Chief of the General Logistics Department of the Chinese People's Liberation Army, arrived here this morning on a four-day goodwill visit.

Bangladesh is the second leg of the three-nation tour of the Chinese delegation which ended a visit to Pakistan.

The delegation was greeted by Major General Abdul Halim and other senior Bangladeshi army officers at the Dhaka International Airport.

The Chinese general, who is also member of the Chinese Central Military Committee, said the current visit is

aimed at furthering the mutual understanding and promoting the friendship and cooperation between the peoples and the armed forces of the two countries.

Indian Prime Minister Meets With Perry

OW1301114395 Beijing XINHUA in English 1126
GMT 13 Jan 95

[FBIS Transcribed Text] New Delhi, January 13 (XINHUA)—Indian Prime Minister P. V. Narasimha Rao and visiting US Defense Secretary Perry agreed that the two countries should hold closer consultation on defense issues affecting the regional and global stability.

After an hour long meeting, an official spokesman said that the prime minister had expressed satisfaction at the signing of the agreed minutes on defense cooperation.

He said that Rao also expressed satisfaction over the conduct of joint seminars and exercises between the forces of the two countries as this would bring about transparency in defense matters.

During the meeting, Prime Minister Rao suggested clear guidelines and ground-rules should be defined to ensure the success of the United Nations Peacekeeping Operations.

After meeting, Perry declined to reveal issues which the two sides discussed.

Asked if the situation in Kashmir and issues of US concern over India's missile program had figured, Perry said no comments.

However, he said that the United States had expressed to India its desire for early return to democracy in Kashmir and for efforts to ease the strained relations between India and Pakistan.

MOFTEC Delegation Meets Sudanese President

OW1101145795 Beijing Central People's Radio
Network in Mandarin 1700 GMT 6 Jan 95

[From the "International News" program]

[FBIS Translated Text] Sudan's President al-Bashir met China's Ministry of Foreign Trade and Economic Cooperation [MOFTEC] delegation headed by Assistant Minister Yang Wensheng at the Presidential Palace on 5 January. During the meeting, al-Bashir highly praised friendly relations between Sudan and China. He said the Omdurman Hospital built by Chinese workers was the symbol of Sino-Sudanese friendship. Ground-breaking for the new Omdurman Hospital took place in December 1993 in Sudan's capital of Khartoum and the building was completed in December 1994.

The MOFTEC delegation arrived in Khartoum on 4 January. In addition to attending the ceremony to celebrate the completion of the Omdurman Hospital, the delegation will also spend three days in Sudan.

West Europe**Iceland To Set Up Embassy in Beijing***OW1301105095 Beijing XINHUA in English 1026 GMT 13 Jan 95*

[FBIS Transcribed Text] Beijing, January 13 (XINHUA)—Salome Thorkelsdottir, visiting Speaker of the Icelandic Althing (national assembly), has said that Iceland is planning to set up an embassy in Beijing soon.

This will give a positive impetus to the growth of the ties between the two countries, economic co-operation and trade in particular, she said.

Thorkelsdottir, who arrived here January 5 at the invitation of China's National People's Congress Standing Committee, is now touring South China.

In an interview with XINHUA upon her departure from Beijing a few days ago, she said that there exist broad prospects for Sino-Icelandic bilateral ties.

Iceland intends to provide China with technology in the geothermal energy field, she said, adding that Icelandic geothermal experts are at the moment helping Tianjin solve the problem of how to fully utilize its geothermal resources.

In addition, she said that the Geothermal Branch of the United Nations' University of Iceland has trained more than 30 Chinese personnel.

Thorkelsdottir noted that Iceland has rich geothermal resources and resources of clean water. However, she said, it also has an air pollution problem.

If China is interested in this regard, Iceland desires to strengthen its co-operation with it, she said.

On the Fourth World Conference on Women, which will be held in September in Beijing, Thorkelsdottir said that it will be an inspiring and important meeting. Women throughout the world will gather here to hold discussions on issues related to equality between males and females, and women's involvement in political and social fields, which is beneficial to every country.

She expressed the hope that, through this grand meeting, every country in the world will implement the resolutions of the meeting and achieve positive results in male and female equality and in raising women's status as well.

During the interview the speaker conveyed her best wishes through XINHUA to all the women of China, saying she hoped they would play greater roles in the country's affairs and wishing each family happiness.

Wang Guangying Meets Italian Parliamentarians*OW1301104595 Beijing XINHUA in English 1029 GMT 13 Jan 95*

[FBIS Transcribed Text] Beijing, January 13 (XINHUA)—Wang Guangying, Vice-Chairman of the

Standing Committee of China's National People's Congress (NPC), met with a delegation made up of Italian parliamentarians here this afternoon.

The 7-member delegation, led by Italian Senator Gianguido Folloni, is here as guest of the Chinese People's Association for Friendship with Foreign Countries.

'Official Church' Urges Pope To Break Taiwan Ties*HK1301062695 Hong Kong AFP in English 0532 GMT 13 Jan 95*

[FBIS Transcribed Text] Beijing, Jan 13 (AFP)—The official Roman Catholic church in China on Friday called on Pope John Paul II to break the Vatican's diplomatic ties with Taiwan, so that Beijing and the Holy See could establish relations "as soon as possible."

"We want early rapprochement between China and the Vatican, and we hope that diplomatic relations will be established as soon as possible," the vice president of the China Patriotic Catholic Association, Liu Bonian, said.

His remarks came a day after the Bishop of Shanghai, Jin Luxian, in comments published in Rome, said normalisation of ties between China and the Vatican were "imminent."

Liu said: "There are no basic contradictions between our two churches, we have the same beliefs. Normalisation is really only a question of time, although we cannot say when exactly."

"The most important thing at the moment is for the Vatican to break off its diplomatic ties with Taiwan, and not interfere in China's internal affairs," he said.

He also disclosed that he travelled to Rome last November and briefly met the pope during a protocol ceremony.

It was the first known contact between a leader of the Chinese official church and the pontiff. The pope has repeatedly expressed his wish to go to China.

Launching an 11-day, four-nation Asian tour on Thursday, the pope hinted at receiving a delegation of 24 young Chinese priests who travelled to Manila, but said the meeting would not entail recognition of the China Patriotic Catholic Association.

Beijing and the Holy See broke off relations after the founding of the People's Republic of China in 1949.

The Vatican recognised Taiwan, where the defeated nationalists set up their government, as representative of China. Beijing derides Taiwan as a renegade province.

The mainland thereafter set up an official church, under state control, but millions of Chinese Catholics remain faithful to Rome, and are members of the so-called silent

church, which is supported by the Vatican and regularly persecuted by the Communist regime.

Li Ruihuan Meets With Finland Justice Minister
*OW1201164895 Beijing XINHUA in English 1423
GMT 12 Jan 95*

[FBIS Transcribed Text] Beijing, January 12 (XINHUA)—Chinese leader Li Ruihuan said here today that China has a long way to go in its construction of democracy and a legal system in spite of great achievements in these areas in recent years.

He said that the policy of reforms and opening to the outside world initiated in 1979 has brought not only immense growth to the country's economy, but changes in the state political and social life as well.

Legislative work has played a very important role in China's efforts to establish a socialist market system, which in turn, has made legislation an even more pressing task, said Li, chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC).

Li made the remarks this afternoon during a meeting with Finnish Minister of Justice Anneli Jaatteenmaki in the Great Hall of the People.

Improving the establishment of democracy and the legal system is China's long-term goal, Li said, and that, along with improving people's knowledge of the law and stricter law enforcement is still a difficult task in China.

He said that it is necessary for China to learn from foreign countries in the area of legislation, he said, adding that China and Finland should further promote cooperation and exchanges in the field of justice.

Jaatteenmaki said the fact that the Chinese government attaches great importance to running the country by means of laws has impressed her very much during the trip.

China, Finland Sign Judicial Cooperation
*OW1201122895 Beijing XINHUA in English 1032
GMT 12 Jan 95*

[FBIS Transcribed Text] Beijing, January 12 (XINHUA)—The justice ministers of China and Finland, Xiao Yang and Anneli Jaatteenmaki, signed a memorandum of understanding here today on judicial co-operation and exchanges between the two countries.

The memorandum says that the two countries will exchange views on judicial practices and legal research, especially on the fields of legislation, trial systems and prison management.

Seminars and experts meetings will be arranged to exchange experience in running a country by law, protecting the interests and rights of the people by law and guaranteeing economic development by law.

Senior decision-making officials and experts will exchange visits for investigations and training, according to the memo.

Both justice ministers said they believed that the memorandum will help the two sides develop their judicial systems and enhance the proficiency of law-enforcement personnel, and will be conducive to the technological exchanges in the field of law between them.

Xiao said at the signing ceremony that improving the legal system and running the country by law are the common goal of both countries and the shared aspirations of the two peoples.

"China is willing to learn useful experience from all the countries in the world, including Finland, in order to improve its legal system for the socialist market economy," he said.

The Finnish minister said that the two countries enjoy traditional friendly relations, and the steps of legal and judicial co-operation between them have been quickened over the years.

She expressed her willingness to promote judicial ties with China in every field.

She said she expected to receive a delegation from China on prison management this year.

Zou Jiahua Receives Swiss Businessmen
*OW1101145695 Beijing XINHUA in English 1432
GMT 11 Jan 95*

[FBIS Transcribed Text] Beijing, January 11 (XINHUA)—Chinese Vice-Premier Zou Jiahua met with A.N. Schindler, President of Schindler Management of Switzerland, and his party here today.

The two sides exchanged views on cooperative projects in elevator production as well as the area of urban transportation.

Schindler, the second largest elevator producer in the world, first set up a joint venture in China in 1980. That venture, the China-Schindler Elevator Co. Ltd. has turned into the biggest elevator enterprise in China, one that produces 4,000 elevators yearly.

During the meeting, Zou described the collaboration as "pleasant" and "fruitful" and added that, with its economic growth, China's demand for elevators will be even greater, and that competition will become even fiercer. He expressed his welcome to Schindler and his party as well as his support for further collaboration in elevators and other industries.

Schindler told Zou that with joint efforts, China-Schindler will become even more competitive.

Minister of Construction Hou Jie took part in the meeting.

Political & Social**Album Pictures Deng Watching Fireworks***OW1301004495 Beijing XINHUA Domestic Service in Chinese 1220 GMT 12 Jan 95*

[FBIS Translated Text] Beijing, 12 Jan (XINHUA)—A large photo album, headlined: "Millions of People Are of One Mind," showing Beijing enthusiastically celebrating the grand occasion of the PRC's 45th founding anniversary, was recently published in Beijing. Comrade Jiang Zemin inscribed the title of the album. The album publishes for the first time a color photograph of Comrade Deng Xiaoping watching a firework display at Beijing's Zhongnanhai on the evening of 1 October 1994.

The album consists of three parts: The "Grand Celebration," "Happily Gathered in Beijing," and "Happiness Permeates the Capital." The "Grand Celebration" depicts joyous scenes on the evening of national day, where party and government leaders gathered on Tiananmen Square with representatives from all walks of life, Overseas Chinese, Chinese compatriots from Taiwan, Hong Kong, and Macao, and overseas guests to celebrate the great occasion; and where the masses held a celebration get-together. "Happily Gathered in Beijing" shows special, mass celebrations in various parks, including an achievement exhibition held by delegations from Beijing, Tianjin, Shanghai, Guangdong, Liaoning, Sichuan, Shandong, and Shaanxi. With specific topics, full and accurate material, and lively formats and designs, the exhibition showed China's enormous accomplishments, and the Chinese people's mental attitude and outlook since it has carried out reform and opening up. "Happiness Permeates the Capital" demonstrates Beijing's joyous scenes on national day. Red flags with five stars are seen fluttering on streets and alleys, and colorful slogans, flower terraces, happy songs, and laughter are everywhere. All these scenes embody the profound patriotism upheld by hundreds of millions of people; demonstrate that under the guidance of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics and the party's basic line, the Chinese people have united more closely and rallied around the leading collective of the party Central Committee [dang zhong yang ling dao ji ti 8093 0022 1135 7325 1418 7162 7555] with Comrade Jiang Zemin at the core; and that millions of people are of one mind, and they will strive to build a more glorious future.

The album was published and circulated by the Beijing Publishing House.

Sentencing of Wei Jingsheng's Secretary Noted**Sentenced to Reeducation***HK1301040995 Hong Kong AFP in English 0349 GMT 13 Jan 95*

[FBIS Transcribed Text] Beijing, Jan 13 (AFP)—Tong Yi, secretary to China's top dissident, Wei Jingsheng, has

been sentenced to two and a half years in a re-education camp, a supporters' group said Friday as a U.S. envoy for human rights began a three-day visit to Beijing.

The group Human Rights in China, in a fax received from its New York offices, said Tong had been sentenced on December 22 in Beijing, and sent to the camp at her home town of Wuhan, central China, on January 9.

There was no immediate official confirmation of the report Friday from Chinese authorities.

Tong was arrested on April 5 last year in Beijing, four days after Wei was picked up in the city suburbs.

No word has filtered out about his fate. Wei, 44, has already spent 15 years in prison for his agitation for democracy in China.

Meanwhile, the assistant U.S. secretary of state for humanitarian affairs, John Shattuck, began the first full day of meetings here Friday after arriving in Beijing late Thursday.

Sources said he would bring up the case of Wei and other leading dissidents, as well as other areas in human rights where China has been criticised, such as its annexation of Tibet. He leaves on Sunday.

China and the United States were at loggerheads for most of last year.

Tension eased somewhat after U.S. President Bill Clinton in May decided to scrap the linkage between China's most-favoured-nation trade status and its respect for human rights.

But problems resurfaced towards the end of the year, when the United States led objections to re-admitting China to the General Agreement on Tariffs and Trade (GATT) and then prepared a list of sanctions against Chinese exports, in retaliation for rampant abuse of U.S. intellectual property rights by Chinese pirates.

Working in Textile Factory*HK1301061495 Hong Kong RTHK Radio Four in English 0500 GMT 13 Jan 95*

[From "News at One"]

[FBIS Transcribed Text] The assistant to China's most famous dissident Wei Jingsheng has been sentenced to two and a half years of hard labor, according to the New York-based group Human Rights in China. It says Tong Yi was sentenced by public security officials last month, and was now working 12-hour shifts in a textile factory in the central city of Wuhan. The group says she has appealed. Miss Tong disappeared earlier last year after she revealed to reporters that Mr. Wei had been arrested.

Claims No Reason Given for Sentence*HK1301064295 Hong Kong AFP in English 0617 GMT 13 Jan 95*

[FBIS Transcribed Text] Beijing, Jan 13 (AFP)—Tong Yi, secretary to China's top dissident, Wei Jingsheng, has

been sentenced to two and a half years in a re-education camp, a supporters' group said Friday as a U.S. envoy for human rights began a three-day visit to Beijing.

The assistant U.S. secretary of state for humanitarian affairs, John Shattuck, began the first full day of meetings here Friday after arriving in Beijing late Thursday.

Sources said he would bring up the case of Wei and other leading dissidents, including Bao Tong and Ren Wand-ing, as well as other areas in human rights where China has been criticised, such as its annexation of Tibet.

The group Human Rights in China, in a fax received from its New York offices, said Tong had been sentenced on December 22 in Beijing, and sent to the camp at her home town of Wuhan, central China, on January 9, where she was now working 12 hours a day in a textile workshop.

The group said the Chinese authorities had not given the family any reason for Tong's sentence. Re-education by labour is an administrative sentence, imposed by the police without any need for a trial.

There was no immediate official confirmation of the report Friday from Chinese authorities.

Tong was arrested on April 5 last year in Beijing, four days after Wei was picked up in the city suburbs.

No word has filtered out about his fate. Wei, 44, has already spent 15 years in prison for his agitation for democracy in China.

After Tong was questioned, police tried to persuade her former husband Zheng Chengwu—they divorced in March last year—to accuse Tong and Wei of adultery and destroying the marriage, Human Rights in China said.

Zheng refused, and according to Tong, police then accused her of making and using fake rubber stamps and documents to obtain a visa to study in the United States.

When her mother and older sister visited her in the re-education camp Thursday, Tong gave them a document in which she admitted using the faked equipment, the rights group said.

But she said even her investigators admitted that it was a minor offence and one frequently committed by Chinese, the group said, quoting from her document.

She wanted to know the real reason for her sentence, it said.

Over the past year, China has ignored repeated protests and threats from the United States on human rights issues and sentenced about 20 dissidents to prison terms or sent them to re-education camps.

The stiffest sentences—from three to 20 years' jail—were imposed in December against nine dissidents, in

the biggest trial of political opponents since the democracy movement was crushed in 1989.

Robin Munro, Hong Kong director of Human Rights Watch/Asia, said this was the result of U.S. President Bill Clinton's decision in May to scrap the linkage between China's most-favoured-nation status and its respect for human rights.

In doing so he gave the green light for Beijing to decimate the dissident community, he said.

Li Lanqing Criticizes Excessive School Fees

HK1301063795 Beijing CHINA DAILY in English
12 Jan 95 p 2

[By Chen Chunmei: "Elite School's Fees Criticized"]

[FBIS Transcribed Text] Vice Premier Li Lanqing has criticized the overly high entrance fees of some "elite schools" and says the country will take steps to regulate the situation.

Li, who is in charge of education, made the remarks in his educational report to the Ninth Meeting of the Eighth Standing Committee of the Chinese People's Political Consultative Conference, (CPPCC), which opened yesterday.

The CPPCC, China's political advisory body, is focusing on educational issues at the four-day meeting.

"We welcome the schools set up by social groups but not the schools receiving high entrance fees," said Li.

Li called for the deepening of educational reform to ensure the implementation of the Outline for the Reform and Development of China's Education.

He called on all CPPCC members to pay more attention and give more support to education.

The country's programme to make nine-year compulsory education universal and wipe out illiteracy by the year 2000 should be carried out step by step and in the light of local situations, Li said.

Vocational training is the key to the restructuring of education, he noted. Reform of the higher education system should be deepened to enhance teaching quality and efficiency.

Moral education should also be strengthened and improved to meet new situations and demands, he said.

On building up the teaching force, Li called for more investment in education and the improvement of teachers' living conditions.

China should speed up its educational policy making, said Li, adding that one or two basic educational laws should be formulated in line with the urgent needs of education.

Report on Leaders' Activities 6-12 Jan

OW1301094695

[FBIS Editorial Report] PRC media monitored by FBIS from 6 January to 12 January carried the following reports on PRC central leadership activities. The source is noted in parentheses after each report.

Jiang Zemin, Li Peng Greet Airline—"When the 1995 New Year's bell rang, the flight department of Air China had ensured safe flights for 40 years. Jiang Zemin, Li Peng, Qiao Shi, Li Ruihuan, Zou Jiahua and other central leading comrades recently wrote either inscriptions or letters to congratulate the flight department. Jiang Zemin's inscription reads: Ensure flight safety, improve service, and serve China's reform, opening up, and economic construction. Li Peng said in his letter: Over the last 40 years, the flight department of Air China has successfully accomplished its task of flying both passenger and special plane services and kept all flights safe. This is no easy matter indeed, concretely showing the high degree of sense of responsibility among the flight crew to serve their country, the people, and their career. Both safe flights and good service are indispensable to civil aviation. I hope that Air China will maintain and carry forward its fine traditions and remain invincible amid intense international competition. Qiao Shi's inscription reads: Set strict demands, practice scientific management, catch up with and surpass the advanced world standards, and establish a safe flight record again. Li Ruihuan's inscription reads: Safety is the most important element in flights. Zou Jiahua's inscription reads: Set high standards, practice strict management, ensure safe flights, and make persistent efforts to set new brilliant record." (Beijing Central People's Radio Network in Mandarin 1030 GMT 6 Jan 95)

Zou Jiahua, Luo Gan, Wei Jianxing Meet Coal Industry Delegates—Leading comrades Zou Jiahua, Wei Jianxing, Luo Gan, and others met with the delegates attending the national meeting on commending model workers and advanced collectives of the coal industry on 6 January in Beijing. Zou Jiahua, member of the CPC Central Committee Political Bureau and vice premier of the State Council, greeted the delegates on behalf of General Secretary Jiang Zemin and Premier Li Peng. State Councillor Luo Gan read a letter from Li Peng. Li Peng said: "Coal industry workers are doing filthy and tiring work. You are carrying forward the fine traditions and ensuring energy supplies for the country. Both the party and the people thank you." Li Peng said: "At present, the coal industry is facing many difficulties and arduous tasks. It must make bold explorations, strive to meet the needs of the socialist market economy, accelerate the change of operational mechanisms, and seek high economic efficiency by improving management and applying better technology." Li Peng pointed out that the only way to develop the coal industry is to develop the tertiary industry. He urged the coal industry workers to make new progress in this respect. (Beijing Central People's Radio Network in Mandarin 1030 GMT 6 Jan 95)

Qian Qichen Greets Anniversary of Newspaper—Chinese Vice Premier and Foreign Minister Qian Qichen wrote an inscription, "Voice of Overseas Chinese and Bridge Between China and the United States," to greet the fifth founding anniversary of QIAO BAO [OVERSEAS CHINESE NEWS], a Chinese-language newspaper published in the United States, on 5 January. (Beijing XINHUA Domestic Service in Chinese 0839 GMT 6 Jan 95)

Li Lanqing Congratulates Music Concert—A free music concert for students was held in Beijing on 7 January. Vice Premier Li Lanqing wrote the concert a congratulatory letter which reads: "Young people today are the future and hope of our country. We should enable them not only to acquire rich knowledge, but also cultivate lofty ideals and values, so that they can develop themselves morally, intellectually, and physically. Music is an important part of the cultural treasure of mankind. We should provide more opportunity for youngsters to appreciate outstanding musical works, raise their ability to appreciate such works, and create a good musical environment for their healthy growth." (Beijing XINHUA Domestic Service in Chinese 1337 GMT 7 Jan 95)

Tian Jiyun, Chen Junsheng Attend Forestry Meeting—Leading comrades Tian Jiyun and Chen Junsheng recently attended a forum held by the Ministry of Forestry to mark the 10th anniversary of implementation of the Forestry Law. Chen Junsheng said at the meeting: "Under the new situation of developing the socialist market economy, the reform and construction of forestry are facing many new circumstances and new contradictions. It is particularly important to resolve those contradictions by legal means. China's forestry resources are relatively small. In recent years, such law violations as the indiscriminate felling of trees and the seizure of forest land occur frequently. To improve the situation, we must persistently manage forests and develop forestry according to law. (Beijing Central People's Radio Network in Mandarin 2230 GMT 7 Jan 95)

Chen Xitong Attends Inauguration of Journal—Chen Xitong, member of the CPC Central Committee Political Bureau and secretary of the Beijing Municipal CPC Committee, attended the inauguration of BEIJING ZHENGXIE [BEIJING POLITICAL CONSULTATIVE CONFERENCE], a political journal published by the Beijing Municipal Committee of the Chinese People's Political Consultative Conference [CPPCC], on 9 January. (Beijing XINHUA Domestic Service in Chinese 0705 GMT 10 Jan 95)

Li Tieying Attends, Huang Ju Addresses Shanghai Ceremony—The week-long activities to commemorate the 100th birth anniversary of Beijing opera actors Mei Lanfang and Zhou Xinfang came to an end in Shanghai on 10 January. Li Tieying, member of the CPC Central Committee Political Bureau and state councillor, attended a closing ceremony for the activities. He met with well-known Beijing opera actors Mei Baojiu, Zhou

Shaolin, Li Bingshu, Shang Changrong, Shi Min and Wang Mengyun. He said: "Mei Lanfang and Zhou Xinfang, as master artists, left to us a genuine, outstanding national heritage, as well as a genuine, outstanding cultural heritage for the world. An art must first be an outstanding national art before it can become an outstanding art for the world and be universally acknowledged. We should inherit and advance our outstanding national art, and we should also create new things constantly and march into the world." Huang Ju, member of the CPC Central Committee Political Bureau and secretary of the Shanghai Municipal CPC Committee, addressed the closing ceremony. He said: "Mei Lanfang and Zhou Xinfang were two master artists. They were creators of beauty, reformers of art, and great patriots. Their excellent performing art and lofty character and their contributions to the development of Beijing opera and Chinese national art will surely leave a good reputation for a thousand years." (Beijing XINHUA Domestic Service in Chinese 1520 GMT 10 Jan 95)

Song Jian Visits Airport Customs Office—State Councillor Song Jian inspected the EDI (electronic data interchange) customs-passing system at Beijing Airport's customs office on 11 January. He praised the new system and said: "The development and use of the system are of long-term strategic and social significance and it will yield an important impact on the improvement of the customs service." He urged the customs offices across China to continue to work hard and strive to build an automated nationwide network connecting all major ports of China before the end of the century. (Beijing XINHUA Domestic Service in Chinese 0859 GMT 11 Jan 95)

Zou Jiahua Discusses Gold Prospecting—In his 11 January letter to a national meeting on gold prospecting, Vice Premier Zou Jiahua said: "Geological work is the basis for the development of the gold industry. It is necessary to mobilize forces from all quarters to step up gold prospecting. It is necessary to increase investment in gold prospecting in accordance with the development plan of the gold industry, so as to discover more gold deposits for the development of gold production. (Beijing Central People's Radio Network in Mandarin 1030 GMT 11 Jan 95)

Li Lanqing Meets Taiwan Chain-Store Delegation—Vice Premier Li Lanqing met with a delegation from Taiwan's Chain-Store Development Association at Ziguan Pavilion in Zhongnanhai on 11 January. The delegation, led by the association's chairman Weng Chao-chang, is in Beijing attending the 'cross-strait symposium on chain-store development.' Li Lanqing extended his welcome to the group and said: Recently, the chain-store business has grown quite rapidly in Shanghai and Beijing. However, it is still something new here after all. Many things remain to be explored and summed up during the course of practice in order to ensure a healthy development of this modern form of

business. He called for continued efforts to strengthen the ties and cooperation between chain-store enterprises across the Strait and further promote their common development. At the same time, he also called for taking a further step to strengthen the ties between academic organizations and between guilds across the Strait, and to promote cross-strait academic exchanges and economic cooperation between enterprises. Wang Zhaoguo, director of the State Council's Taiwan Affairs Office, was present at the meeting. The two-day symposium is sponsored by the China Market Society." (Beijing XINHUA Domestic Service in Chinese 1330 GMT 11 Jan 95)

Magazine Fined for Using Leader's Image 'Illegally'

HK1201145295 Beijing ZHONGGUO XINWEN SHE in English 0929 GMT 12 Jan 95

[FBIS Transcribed Text] Beijing, January 12 (CNS)—A Beijing magazine was found to have illegally made use of image of a state leader in its advertisement. It was recently given punishment by the Haidian Administrative Bureau of Industry and Commerce including confiscation of advertisement proceeds and imposition of a fine.

The magazine known as China Investment and Construction was found to have employed image of a particular leader in its advertisement in the front as well as back cover of the July issue last year for a electronics group. The advertisement supervision department of the administrative bureau launched investigation on the matter and discovered that the magazine had not yet been granted approval by the leader whose image was used by the magazine nor by the organ to which the leader belongs. Proceeds worth RMB [renminbi] 22,662 resulting from the advertisement was confiscated and a fine of RMB 2,000 was imposed on the magazine.

The advertising law effective on coming February 1 clearly states that no advertisement is allowed in the name of state leaders while all state organs and their staff are also not allowed to be involved in advertisements. Should such offense be found again, harsher punishment would be given.

Regulations Ban Mailing of State Secrets

OW1301061595 Beijing XINHUA Domestic Service in Chinese 0151 GMT 13 Jan 95

[FBIS Translated Text] Beijing, 13 Jan (XINHUA)—The "Provisions on Prohibiting the Sending by Mail or Illegally Carrying Classified State Documents, Information, and Other materials Out of the Territory" formulated by the State Bureau of Secrecy and General Administration of Customs will go into effect on 1 April 1995.

The provisions were formulated with a view to maintaining state secrets and to preventing classified state

documents, information, and other material from being sent by mail or being illegally carried out of the territory.

According to a briefing, the main contents of the provisions are: Classified state documents, information, and other materials are banned from being sent by mail or being illegally carried out of the territory; where in special circumstances such materials need to be carried out of the territory, permission should be obtained from departments or agencies in charge of maintaining secrets in line with relevant state regulations.

The provisions, which were formulated on the basis of "The Law of the People's Republic of China on Maintaining State Secrets" and the "Customs Law of the People's Republic of China," stipulate that violators of the "provisions" will be punished in accordance with the "Rules for the Implementation of Administrative Punishments Under the Customs Law of the People's Republic of China"; and departments or agencies in charge of maintaining secrets will investigate cases in accordance with relevant regulations on the maintenance of secrets. Customs have the right to seize documents, information, and material that are not marked as classified state information but are suspected of containing such information and send them to relevant authorities for assessment. They will be returned to the owner if found not to contain classified information after assessment, and customs will give them clearance on the basis of the certificate issued by the agency in charge of maintaining secrets. When they are found to contain classified state information, the case will be handled in accordance with the relevant regulations in the "provisions."

From the day the provisions go into effect, no approval will be needed to send by mail or carry out of the territory documents, information, articles, and manuscripts that do not contain classified state information. Where customs have special regulations, they should be followed. A public notice containing the relevant information on these provisions will be posted at exit ports.

State Increases Support for Jobless

HK1301083895 Beijing CHINA DAILY in English
13 Jan 95 p 1

[By Zhang Xia: "State Steps Up Relief for Jobless"]

[FBIS Transcribed Text] The State is taking steps to improve the country's unemployment insurance system to pave the way for nationwide enterprise reform to be launched later this year, said a Ministry of Labour official.

An increase in unemployment is expected over the next few years, following the quickening pace of state enterprise restructuring, which is expected to slash the redundant workforce to bolster efficiency.

This was revealed by Zhang Xiaojian, director of the Employment Department under the Ministry of Labour, at a press conference held yesterday in Beijing.

The state will provide the basic living costs for workers who are dismissed by enterprises for business needs or other reasons. Those whose enterprises go bankrupt or are closed can also receive the allowance, said Zhang.

Between 70 and 80 percent of the standard local minimum wage is allocated monthly to the unemployed for up to two years. Those who still are not employed within two years will be placed under the management of the departments of civil affairs and receive social relief, Zhang said.

In 1995 urban unemployment is expected to reach 2 million, Zhang predicted. One reason for the increase is that a government-selected group of state enterprises will adapt to the modern corporate system on a trial basis and will cut surplus labourers to ease their financial burdens.

During the next six years, more people are expected to be unemployed, said Zhang. However, labour departments are confident they can provide these people with unemployment compensation.

The unemployment insurance system was initiated in 1986 only for labourers in state enterprises.

Last year, 95 million labourers participated in the unemployment insurance system. That number is predicted to hit 120 million by the year 2,000.

Government 'Upgrading' Unemployment Insurance

OW1201164595 Beijing XINHUA in English 1506
GMT 12 Jan 95

[FBIS Transcribed Text] Beijing, January 12 (XINHUA)—Twenty-seven provinces, municipalities, and autonomous regions in China have revealed regulations on unemployment insurance, said a senior official here today at a seminar on the subject.

Twenty-six of them have extended unemployment insurance to staff members of enterprises which are not state-owned, the official said.

Nationwide, 95 million people are covered by unemployment insurance, 15.76 million more than in 1993. Ninety percent of beneficiaries are working for non-state-owned firms, the official said.

"China has made achievements in upgrading the unemployment insurance system, in providing unemployment relief, and in creating more job-opportunities," he said. "It has played an important role in speeding up enterprise reforms and protecting social stability."

Last year saw 1.8 billion yuan being raised for unemployment insurance, according to a survey done by the Ministry of Labor, 1.2 billion yuan of which was used for unemployment relief, with 440 million yuan for new jobs.

During the same period, 1.8 million people benefited from the fund, about 2.8 times the number for 1993, and

equal to the total number in all previous years since the unemployment insurance system was set up in 1986.

At the same time, 1.06 million people landed new jobs in 1994, 2.7 times those in 1993, and 2.1 times those who found new positions in the past seven years, raising the re-employment rate to 57 percent.

More than 200,000 of those who found new jobs have been trained for new professions and positions.

In certain regions, unemployment insurance is also used to re-adjust the surplus labor, which numbered 380,000 according to statistics.

Commentator Hails Crackdown on Pornography

HK1101135295 Beijing RENMIN RIBAO in Chinese
10 Jan 95 p 3

[Commentator's article: "Getting to the Bottom of Cases, Vigorously Pursuing and Hunting Down Criminals"]

[FBIS Translated Text] Five cases, which were billed as the country's biggest vice crimes, have been solved with the arrest of all the major perpetrators. The solving of the five cases has stunned all criminals, boosted our morale, educated the masses, given us more experience, and identified an effective way to crack down on criminals.

"Vice sweeps" are tough missions. The five big cases had a wide impact, involved many people and sectors, used devious and well-disguised criminal methods, and gave us a hard time during the investigations.

However, the solving of these five cases tells us: The manufacture and sale of pornographic material—from compiling and printing to dispatching, delivering, and selling—involve complicated networks, which cannot be done by isolated individuals in their backyards. As these activities are illegal, despite all the disguises and camouflage and criminals who go to great lengths to bribe the internal workers of the concerned work units, the criminals cannot have their own way all the time and their operations cannot be flawless. Nor can the makers and sellers of pornographic material forge a solid coalition, divided as they are by conflicting interests. In particular, as pornographic books must be sold to the general public, people will always find out about them. If we pay full attention, with the concerned departments checking the relevant sectors and doing their jobs correctly, careful detective work can always give us leads. Interdepartmental operations to relentlessly follow leads and get to the bottom of situations will corner criminals and flush them out.

Obscene publications poison the minds of youth, debase social morality, demoralize and corrupt, and are hated by cadres and the general public. They have enthusiastically supported the "vice sweeps" and actively worked for the operations. In the investigations of the five big cases, many leads were provided by the masses. Public

security cadres and policemen, and many comrades in propaganda, press and publication, and cultural work units were undaunted by hardship and worked arduously to make their contributions. Facts again tell us that mobilizing and relying on the masses is an important guarantee for our operations against "vice" and crack-down on crime.

We are convinced that with the full attention of leaders at all levels, care and support by the broad mass of the people, coordination and joint efforts between departments, and great efforts, the makers and sellers of obscene material can never escape the law and "vice sweeps" will achieve greater results.

Peasant Protests Delay Beijing-Kowloon Railway

HK1201064095 Hong Kong EASTERN EXPRESS in English
12 Jan 95 p 6

[By Bruce Gilley]

[FBIS Transcribed Text] Angry peasants launched more than a dozen protests against construction of the showcase Beijing to Kowloon railway project last year, which could delay its scheduled completion this year, officials have admitted.

Photographs in the State Council's OUTLOOK WEEKLY [LIAOWANG] magazine this week show farmers along "a certain section" of the 2,370-kilometre line sitting in front of dump trucks and threatening the drivers with shovels. Another photo shows a makeshift kitchen for workers, which has been laid waste by local farmers. Clay water urns are smashed and baskets of vegetables lie overturned on the floor.

"In certain sections, disruptions have been widespread," the report said. "Some peasants who have not received proper land compensation are venting their anger on the railway itself, causing big headaches for the work units," it said.

The photos were taken last year near the Jiangxi province city of Ji'an by a Ministry of Railways investigation team according to a team member, Liu Jiangguo. The team was dispatched to survey peasant resistance along 11 of the 20 sections of the line which had suffered from similar outbreaks in 1993, the second year of construction.

In talks with section heads, the team found that "about 15" protests had hit the project in 1994, Liu said from Beijing.

"The peasants are angry that the thousands of yuan per hectare of land which the central government earmarks for compensation turn into only hundreds of dollars by the time the money reaches their pockets," he said.

The team submitted its report to the ministry last month, Liu said. It details how provincial and local governments have been enriching themselves from the 12 billion

renminbi (about HK\$11bn) project. But the solutions proposed to solve the problem take aim at the peasants instead.

"The ministry has already outlined measures, which include more propaganda, better co-ordination between peasants and workers and calling out the local paramilitary forces to stop the protests when circumstances warrant," Liu said. He added that peasants whose behaviour was "serious" would be tried as criminals, while other participants in protests would be put to work on the railway. Section heads have been made personally responsible for ensuring the "smooth" progress of their work. Chen Zhazhen, the head of the Ganzhou section in Jiangxi, was dismissed following the Ji'an riot, he said.

The Chinese Communist Party hopes to score a propaganda coup with the completion of a handful of projects, including the Beijing to Kowloon railway and the damming of the Yangtze River, by 1997. Beijing sources say it hopes this will add to the "feel good" effect on the nation following the takeover of Hong Kong.

The completion date of the railway was brought forward two years to 1995 shortly after it began due to pressing transport needs in the country. But Liu admitted the ministry was not optimistic about reaching the target.

*Private Owners Members of Bourgeoisie

95CM0073A Beijing ZHENLI DE ZHUIQIU
[PURSUIT OF TRUTH] in Chinese No 11, 11 Nov 94
pp 21-23

[Article by Qin Liufang (4440 2692 2455): "No Equivocation Possible About the Class Character of Private Enterprise Owners"]

[FBIS Translated Text] I recently read an article titled "Status and Characteristics of China's Private Enterprises" in the 31 May 1994 issue of JINGJI CANKAO BAO [CHINESE REFERENCE NEWS]. This is a research report prepared on the basis of a random survey conducted by the research topic team for "Research on the Chinese Private Enterprise Owner Stratum," which was formed under auspices of the Social Sciences Institute of the Chinese Academy of Social Sciences and the Chinese National Industrial and Commercial Joint Research Office with assistance from the National Social Science Fund. This report provides information about private enterprises as of June 1993, including their number, the number of people concerned, money, employees, performance, characteristics, social movement, social networking, culture, and accumulation of assets, as well as information about private enterprise owner spending. This information is definitely helpful for an understanding of the social position of the owners of private enterprises and the role they play.

This survey report does not provide a statistical tabulation for the amount of money that owners of private enterprises have and the circumstances of their

employees. It provides only average figures for employees (e.g. "each firm has an average of 13.8 employees"). Average figures can clarify some issues, but they can also conceal the true nature of problems. This is because firms having little money that hire only one to three employees differ in character from those that have a large amount of money and many employees.

This report said that "the private enterprise owner stratum can only be other than a basic social community that is attached to and part of the two basic classes of workers and peasants." Such a contention does not make a class analysis of the social position of the owners of private enterprises. During the mid 1950's, when China instituted cooperativization, small workshops consisting of one to three employees worked in agricultural production cooperatives in rural villages. In cities, they worked in handicraft industry cooperatives. Work site owners having more than four employees were generally categorized as owners of privately owned industries or business that were subject to socialist transformation. (See Bo Yibo: "Reflections on Various Major Policy Decisions and Events," p 439). However, after the country's capitalist industries and business were brought under joint state-private ownership industry wide, the government departments in charge found that their transformation quickened and widened; thus, they recommended the following in 1979: Small concerns having a certain amount of means of production and no more than four employees, as well as partnerships of a capitalist nature having capital of no more than 2,000 yuan, that were mostly engaged in labor, and that did not exercise administrative or management authority, and that were designated small proprietorships could withdraw from joint state-public ownership subject to Central Committee approval. This released a large number of people, enabling them to escape the capitalist stigma. This experience offers valuable reference today. In view of the change in the purchasing power of currency, the owners of a private enterprise today that has capital of less than 20,000 yuan and fewer than four employees should be classed in the individual economy or in the private economy—a stratum that is part of the working class or the peasant class. A very large percentage of such enterprise owners are in private enterprises, but they cannot be included in the stratum having a capitalist character. To jumble them together with millionaires, designating them a "community" or a "stratum," is clearly to blur class lines.

Owners who have a large amount of capital and numerous employees certainly belong to the stratum having a capitalist character. These people may be defined as large, medium or small private enterprise owners on the basis of the amount of money they have and the number of people they employ.

The survey report says that more than 4,072 people nationwide have more than 1 million yuan, and in some places big firms having 10 million or 100 million yuan have appeared. Failure to state clearly the class character of owners of private enterprises having more than 1 million yuan, ambiguously terming them a "community" or a "stratum" instead, is clearly unscientific. The

report said that nationwide there are only 4,000-odd owners of private enterprises having more than 1 million yuan. Is this an extrapolated figure, or a survey result? Whether it is consistent with reality is very much in doubt. In a new book titled, "China's Economic Development and Trends," futurologist Nesbitt quotes the words of a British economist, Dr. Daiweixiang [name as transliterated], as follows: "China is producing a middle class." This may be a case of the onlooker seeing best. We must not look but fail to see.

The survey report also said that "the owners of private enterprises have not yet formed an independent political force," and it cites various political demands on their behalf. Actually, the people's congresses at all levels and the political consultative conferences at all levels in the country have representatives for the owners of private enterprises. Their demands can be presented in the NPC and the CPPCC. They also have a private enterprise association, which provides an arena in which they can speak. The owners of private enterprises may also join National Industrial and Business Federation organizations at all levels, reflecting their views through National Industrial and Commercial Federation channels. The political position of private enterprise owners is rising gradually. However, people have also noticed another strange phenomenon, namely that the owners of private enterprises in some places either overtly or covertly control and direct party and government cadres in grassroots organization, provide services for them, and cover up both their ill-gotten gains and other illegal activities. Of course, is this an extremely abnormal situation that will be corrected sooner or later as a result of more emphasis on clean government, and crackdowns on illegal activities. Nevertheless, the survey report's contentions are not in keeping with reality.

The Chinese Academy of Social Sciences is one of five large theoretical research bases. Ordinarily, a scientific socialist standpoint, outlook, and methods should be applied in making survey reports, and analytical study done. As Comrade Mao Zedong said, "The only way to understand a situation is to survey society, surveying the living circumstances of all classes in society. ...applying a Marxist basic outlook, (i.e. the method of class analysis to make several thorough surveys) is still the most fundamental method of understanding situations." (*Selected Works of Mao Zedong*, Vol 3, p 789). The above examples show that this report did not do this. For a survey report made with financial assistance from the National Social Sciences Fund, use of the term "stratum" to muddle the class nature of private enterprise owners is also improper.

The constitution of the Peoples Republic of China contains explicit provisions about the position of private enterprises in social and economic development. Public ownership is paramount; the individual economy is supplementary. Comrade Deng Xiaoping has repeatedly said that in building a distinctively Chinese brand of socialism, "the socialist public ownership system is dominant throughout." (*Selected Works of Deng Xiaoping*,

Vol 3, p 110). The individual economy, the private economy, and three kinds of partially or wholly foreign-owned enterprises are all in a "supplementary" position. This is very clear and unequivocal. In recent years, some economists have used a number of public opinion positions to express all sorts of opinions in an effort to change the supplementary position of private enterprise. This is a challenge to the "dominance of the public ownership system," and I feel it cannot be permitted. Thanks to the vigorous support from governments at all levels, private enterprises have made great advances. According to a 25 September Xinhua dispatch, National Industry and Business Administration statistics show that as of the end of June private enterprises nationwide numbered 328,000, employed 5,008,000 people, and had registered capital of more than 104.1 billion yuan, which had increased 78, 70, and 129 percent respectively over the same period in 1993. This benefits development of the national economy, and improvement of the people's standard of living throughout the country. Nevertheless, the class character of the owners of private enterprises, namely that owners of private enterprises belong to the bourgeoisie, must be correctly and clearly understood. The more private enterprises develop, the more important this understanding becomes, and the more equivocation about it becomes impossible. This is the standpoint that Marxist research must adopt.

Science & Technology

Li Peng Presents Awards to Scientists

OW1301084695 Beijing XINHUA in English 0650
GMT 13 Jan 95

[FBIS Transcribed Text] Beijing, January 13 (XINHUA)—Four renowned Chinese scientists received prizes awarded by Ho Leung Ho Lee foundation here today.

Chinese Premier Li Peng handed over the awards granted by the Ho Leung Ho Lee Foundation to 24 Chinese scientists, including Qian Xuesen, Huang Jiqing, Wang Xinchang, Wang Daheng and Chen Jinrun, in the Great Hall of the People.

Addressing the awards ceremony, Song Jian, minister in charge of the State Science and Technology Commission, said that it is a long-term policy of the party and the government to reward outstanding scientists and technicians, in order to promote the scientific and technological development of the country.

The Ho Leung Ho Lee Foundation was founded here in March 1994 to encourage scientists to contribute to China's progress. The founders were Ho Sin-Hang, honorary chairman of the Hang Seng Bank Limited, the bank's veteran directors Leung Kau-Kui and Ho Tim and Chairman of the Board of Directors Lee Quo-Wei, each of whom donated 100 million Hong Kong dollars to the foundation.

Beijing Preparing Satellite for Moon Mission*OW1301111495 Beijing XINHUA in English 1059 GMT 13 Jan 95*

[FBIS Transcribed Text] Beijing, January 13 (XINHUA)—China is preparing to send a spacecraft to the Moon around the year 2000, a space scientist from the Space Centre under the Chinese Academy of Sciences (CAS) said here today.

"China's space technology now has the capacity of probing the Moon," said professor Jiang Jingshan, director of the space centre, in an interview with XINHUA.

Professor Jiang said that China has started its pre-study of the Moon exploration project and is considering sending a scientific satellite to the Moon during the first phase of the project.

"The satellite carrying scientific detectors and moving around the Moon will keep a close watch on the Moon, the Earth and other planets," he said.

Speaking at an on-going CAS conference, Lu Yongxiang, vice-president of the CAS, said that by the year 2010, the academy will become one of the leading international scientific institutions with new research results in such fields as Moon exploration, evolution of the universe, origin of life, space micro-gravity, particle physics and astrophysics.

According to the proposed Ninth Five-Year Plan (1996-2000), the CAS will develop new space probe technologies represented by optical and microwave remote sensors to observe the Earth.

In its space program, the CAS will also try to solve some key technological problems to develop physical detecting technology and key components, materials and technical systems.

In the past decade, China has successfully launched satellites into orbits of various heights and developed space detectors of different kinds. China's Long March-3 A rocket carrier successfully hurled a scientific satellite, "Shijian-4", into a distant orbit in space last January.

"All these achievements have indicated that China is capable of exploring Moon both in terms of technology and rocket's thrust," a Chinese space researcher said.

China To Focus on 'Key Scientific Projects'*OW1201232995 Beijing XINHUA in English 1611 GMT 12 Jan 95*

[FBIS Transcribed Text] Beijing, January 12 (XINHUA/OANA)—The Chinese Academy of Sciences (CAS) will establish 10 key scientific projects in seven fields with a total investment of over 1.4 billion yuan (about 168 U.S. dollars) [number as received].

The 1995 Working Meeting of the CAS, which opened here today, announced that the seven fields are astronomy, high-energy physics, nuclear physics, biomechanics, resources and the environment, controlled fusion and synchro-radiation.

The ten projects include research apparatus for controlled thermo-nuclear fusion, a large-scale astronomical optical telescope, essential equipments for biomechanical research, the third generation of a luminous source for synchro-radiation, the search for new neutral and heavy electric particles with longevity in the universe, cooling stock rings for a large ion accelerator, new ships for marine physics research, ground monitoring meridian chains and the second phase of the synchro-radiation accelerator project in East China's Hefei City.

This is the second major step in CAS's efforts to become competitive in the field of frontier sciences internationally.

The first was ten years ago, when China built several items of scientific testing equipment, including the Beijing Positive-Negative Electric Bumper, Synchro-Radiation accelerator in Hefei, and Heavy Particle Accelerator in Northwest China's Lanzhou City.

It is learned that most of CAS's large equipment, installed a decade ago, will be out of date by the end of the century. Experts say that in the next few years, China will lose scientific talent and have its studies in frontier fields delayed if no new development is made.

CAS specialists note that the ten scientific projects form an important practical background for scientific research and the country's long-term development as well.

Largest Shallow-Sea Oil Platform Opens*OW1201144195 Beijing XINHUA Domestic Service in Chinese 1022 GMT 1 Jan 95*

[By correspondents Du Zhongwu (2629 0022 2976) and Du Xihong (2629 1119 5727)]

[FBIS Translated Text] Jinan, 1 Jan (XINHUA)—China's first large-sized, shallow-sea oil drilling platform—the "Shengli Operation Number Two"—was launched at a marine engineering construction base at Zhuangxi harbor on 30 December 1994. The platform, designed by the Drilling Technology Research Institute under the Shengli Oil Administration Bureau, and built by Youjianshi Company, is 63.2m long and 21.6m wide. It is an important facility for tapping shallow-sea oil reserves. Equipped with many features such as power generation, power transmission, steam generation, fire prevention, life-saving, communications, heating, and domestic sewage as well as industrial sewage, the platform is the largest of its kind in China. It is highly automatic, well equipped, and multi-functional. It took only 250 days for the company to build the platform, a record in the history of Chinese construction of oil drilling platforms.

Military & Political Security

QIUSHI on Army Logistics in Free Economy

HK1301085295 Beijing QIUSHI in Chinese No 22,
16 Nov 94 pp 23-26

["Studying the Theory of Building Socialism With Chinese Characteristics" column by Wang Chuanwu (3769 0278 2976), head of the Nanjing Military Region Logistics Department: "Seek Development in Subjecting to Overall Interests—Thoughts From Studying Volume 3 of *Selected Works of Deng Xiaoping*"]

[FBIS Translated Text] "Seize the opportunity, deepen the reform, expand the opening up, promote development, and maintain stability." These are the general guidelines for the work of the whole party, whole nation, and the whole Army; they are also an important part of Volume 3 of the *Selected Works of Deng Xiaoping*. The military economic work is also an important domain for army building and development and concerns the modernization process of our country. Therefore, we must work according to this idea proposed by Comrade Deng Xiaoping, make an effort to submit to and serve the general interests and strive to seek development in subjecting to the general interests.

1. Subordinating the military economic work to the general interests of national economic construction is a scientific move toward building a richer country and a stronger Army

"The Army must submit to the overall interests of national construction as a whole." This is a guideline for building our Army in the new era, proposed by Comrade Deng Xiaoping on the basis of profound analysis and scientific insight into the keynote of our times, i.e., peace and development. At an enlarged meeting of the Central Military Commission [CMC] in 1985, Comrade Deng Xiaoping pointed out in no uncertain terms: The forces that safeguard peace worldwide are continuing to develop; "it is possible that there will not be any large-scale world war for quite a long time to come and there is hope that world peace can be maintained for that period of time." This provided a reliable and realistic basis for the change of the party's work focus and the introduction of the principle that army building must submit to the overall interests of national economic construction. The military economy is that part of the national economy that meets the needs of the military. It is both a military matter and an economic matter: In the military realm, it forms the material basis of military activity and, therefore, has an economic property; in the economic realm, it serves such Army activities as the development and production of military equipment, the building up of operational supplies, capital construction of battlefields, training of the troops, and the construction of utility and support facilities, giving it a military property. An appropriate economic input into the military boosts the deterrent force of our national defense; contributes to the efforts to obtain an international

environment of relative peace; is beneficial to the implementation of our country's reform, opening, and economic development strategy; and helps promote the development of social productive forces.

Subordinating the military economic work to the overall interests of the national economic construction is a correct choice which benefits the country and the people. China is now in the initial stage of socialism, with a relatively backward economy, culture, and science and technology. The country and the people are still rather poor. If such poverty and backwardness are not quickly changed and the standards of the people's material and cultural lives are not improved, it will be difficult to: Safeguard the country's stability and unity, consolidate the conviction of the whole nation in socialism, and to achieve the reinvigoration and prosperity of the Chinese nation. Therefore, the fundamental task of the party and the state in the new era should, and must, be to unleash and develop productive forces and succeed in our economic construction as soon as possible. This is a major issue concerning the destiny of the country and the people. In this sense, national economic construction is undoubtedly an all-important task for the whole party. It was on the basis of our country's objective reality and of the requirements of national economic construction that Comrade Deng Xiaoping proposed that army building must submit to the general interests of national economic construction. Subordinating military economic work to the general interests of national economic construction is also conducive to safeguarding the stability and unity of our society. Political stability and unity is the fundamental safeguard of economic development; only by maintaining sustained and steady development of our economy can we achieve the long-term security and stability of our country and the prosperity of our socialist cause. For over 10 years since the beginning of reform and opening up, China has been enjoying political stability, greater economic strength, and significant improvement in the people's living standards. This, obviously, has also had something to do with the fact that our Army has firmly implemented Comrade Deng Xiaoping's idea of submitting to and supporting the general interests of national economic construction.

Subordinating military economic work to the general interests of national economic construction is also an objective requirement of army building. Marxism contends that army building is closely bound up with national economic construction. The economic strength of a country is not only the material basis of army building but also conditions the development of army building. The practice of army building in various countries around the world indicates that: The more modernized an army's weaponry is, the higher the expenditure it requires and the greater its dependency on the national economy. Comrade Deng Xiaoping once pointed out: In a modern war, "the real tough battle is the battle over the production of iron and steel." Therefore, in the new historical context, an important condition for strengthening the modernizing process of the Army is for the

country to have solid economic strength. In this sense, energetically developing the economy and strengthening economic construction is the same as working toward the modernization of our Army. Comrade Deng Xiaoping believes that if our country's economy is developed and the strategic goal of redoubling our GNP by the end of this century is fulfilled, meaning our GNP will reach \$1,000 billion, if 1 percent is to be used on national defense and army building, we would have 10 billion; if 5 percent is so spent, we would have \$50 billion, with which we can do a lot of things. He also pointed out: "We should all proceed from the overall interests and look after the overall interests, trying every possible means to develop our economy. Once it is developed, things will be easier; if the overall situation improves and our national strength is boosted, it will be easier to develop atomic bombs and missiles or to renew some equipment in the Air Force, the Navy, and the Ground Forces." Through these important arguments, Comrade Deng Xiaoping was telling us that the relationship between army building and national economic construction is the relationship between the part and the whole, between the principal and the subordinate, and between the top priority and the second priority. Economic construction is required by the development of the country, while army building is required by national security. Only a rich country has a strong army. Submitting to national economic construction is not only conducive to boosting the national economy but also conducive to strengthening the modernizing process of the Army fundamentally.

Over the past 10 years or more, in accordance with Comrade Deng Xiaoping's important instruction that "all aspects of the Army are connected to national construction and we must consider how they can support and become an active part of national construction," the military economic work has been firmly submitting to the overall interests and actively supporting national economic construction, generating outstanding results. According to incomplete statistics, over a period of time, more than 80 airports and ports, over 300 dedicated railway lines, more than 90 communications lines, and over 300 fixed air transport lines in the Army were opened up to civilian use. Army hospitals have been accepting an average of nearly 1 million civilian patients for treatment each year. A large batch of ordnance industry enterprises have achieved the strategic reorientation of "ensuring production to meet military demands and shifting to production for civil purposes." They have created large numbers of quality products and brand names certified by state, provincial, or city authorities. Over 10,000 war industry techniques have been converted to civil-purpose production and the resultant products account for nearly half of the total output value of ordnance industry enterprises. There is still great potential to be tapped in this area. In future, we must always put the overall interests of national economic construction first. We must bear in mind the overall interests, understand the overall interests all the time, and further enhance our consciousness in submitting to

the overall interests. We should engage ourselves more actively in anything that benefits the overall interests of national economic construction and that helps speed up the reform and opening up and bring benefit to the people. We should always regard the interests of the country and the people as the highest interests and regard reinvigorating the national economy as our important duty.

2. The military economic work must actively seek development in subjecting to the overall interests of national economic construction

In times of relative peace, the military economic work must submit to national construction wholeheartedly. In the meantime, it must also take active action, achieve something, and develop itself, all in subjecting to the overall interests of national economic construction.

Development is implied in the concept of submitting to overall interests. Comrade Deng Xiaoping is chief architect of China's reform, opening up, and modernization. He is also chief architect of our army building. While emphasizing that economic construction is of overriding importance and the Army must wholeheartedly submit to national construction, he has never neglected the overall design of army building and has never lowered the standards of, and requirements on, army building because of the submission to the overall interests of national economic construction. Comrade Deng Xiaoping's idea that national economic construction is a general interest implies that army building and the military economic work must seek development. On 4 June 1985, Comrade Deng Xiaoping made it very clear: "We are all very concerned with army building and the modernization of army equipment. This issue also concerns the overall interests. One of the four modernizations is the modernization of national defense. If we did nothing about the modernization of national defense, we would be left with three modernizations, would we not?" Therefore, as much as the Army's economic work must submit and persevere, it must also develop and move ahead. It must actively seek progress and achievement while "submitting" and "persevering." Some comrades always think that the amount of work that can be done depends on the amount of money that is available and no money means no achievement. They interpret, in a narrow-minded way, "persevering" as tightening the belt, giving up the wish to get ahead, and passive "perseverance." This is negative and one-sided. In fact, there is a lot of work we can do, such as building the Army diligently and frugally and exercising scientific management. There is a great deal to learn and plenty of potential to tap in this respect. Therefore, we must base ourselves on the existing conditions and use our limited financial and material resources where they are most needed. We must firmly overcome the problems of erroneous decisionmaking, ostentation and extravagance, poor management, and widespread waste of resources when there is an outstanding shortfall in the military budget. In the meantime, we must tap all sorts

of potential; make a good job of the work in all areas; and continue to open up military facilities, ports, airports, dedicated railway lines, warehouses, hospitals, and scientific research institutions to society at large, so that the military economic work can obtain development in subjecting to the overall interests of national economic construction.

"Development is the last word." To develop the economy and extricate ourselves from the state of poverty and backwardness as soon as possible is the fundamental requirement of the process of consolidating and developing socialism. To develop the military economy is the objective requirement of the process of accelerating the modernization of national defense. In the context of the new scientific and technological revolution, the development of modern warfare is setting higher and higher demands on the degree of army modernization. However, the current level of battle equipment of our Army is still some way behind the requirements of modern warfare. Though we do have some advanced things in our Army's arsenal, the overall standard is quite far below world advanced levels. In order to honor its sacred duty of defending the country's safety and stability and safeguarding the smooth development of economic construction, our Army must try hard to catch up and take substantial measures to accelerate its own modernization process. However, the Army's modernization is based on economic strength but, in the short-term future, the military expenditure for our Army will not increase significantly and this will bring practical problems to the Army's modernization. Should the Army sit back and wait for help from above, or should it, under the existing conditions, tap the potential of the military economy to the maximum extent and energetically develop the production of the ordnance industry and the productive operations of military troops, so as to achieve snowball development of the military economy? The correct choice is to vigorously develop the military economy and constantly raise the efficiency of the military economy. Only by seeking the development of the military economy with dedicated efforts can we make up for the inadequacy of the national defense budget and, subject to the overall interests of national economic construction, increase investment in weaponry and equipment and raise their quality to an appropriate extent. The development of the Army is, predominantly, not in terms of quantity but in terms of quality. In other words, we must not just pursue more personnel, equipment, and funding, but must try to improve the quality of existing personnel. The current manifestation of this point is mainly the effort to conscientiously study and master sophisticated knowledge of science and technology. The work on the military economy should meet the requirement of winning a partial war [ju bu zhan zheng 1444 6752 2069 3630] under high-technology conditions and reform the system, mode, and methodology of support, so that the CMC's principle of emphasizing quality in army building can be implemented in a real sense.

Development is the ultimate aim of implementing the "20-character" principle [referring to the following slogan] set by the center. The five points in the slogan raised by the party center, i.e., "seize the opportunity, deepen the reform, expand the opening up, promote development, and maintain stability," presuppose each other and complement each other. In the practice of military economic work, we must prevent and overcome the tendency of setting the reform against the opening up and setting development against stability. We must have a clear understanding of the intrinsic link and dialectical unity among all the aspects of the "20-character" principle. To seize the opportunity is where the crux of developing the military economy lies. The excellent situation of reform, opening up, and economic development in China has created a good opportunity for the development of the military economy. In times of relative peace, the military economic work should, taking advantage of the catalytic effect of the national economic construction, seek development with vigorous efforts. Deepening the reform and expanding the opening up powers the development of the military economy. Developing the economy and reforming are inseparable. At present, in order to solve some deep-level contradictions and problems in the military economic work, we must continuously deepen the reform. Maintaining stability is a safeguard of the development of military economic work. Only by maintaining the long-term security and stability of the country and the high stability of the Army can we ensure the smooth development of the military economic work. Without stability, there would be no reform to speak of, let alone development. Promoting development is the ultimate purpose. Seizing the opportunity and stability, reform, and opening up are all means for laying a good foundation and creating the necessary conditions for the development of the military economy. As long as we handle the dialectical relationship among all the aspects of the "20-character" principle properly, we will be able to see clearly why development is the ultimate objective, keep enhancing enterprise-mindedness, and strive to seek continuous development of the military economy in subjecting to the overall interests of national economic construction.

3. To seek the development of the military economy, we must continue to make a good job of the reform in the context of the socialist market economy

Comrade Deng Xiaoping pointed out: "Reform is a second revolution"; "revolution is to emancipate productive forces, and so is reform"; and "I personally stand for reform, as reform is the only way out." As a special part of the social economy used to support national defense needs, the military economy is closely bound up with the national economy. The military economy is governed not only by the universal law of market economy but also by the special law of the military economy itself. At present, faced with the establishment and development of a socialist market economic system, the military economic work is confronted with "two major contradictions" and "two major challenges," i.e.,

the contradiction between the low level of modernization of our Army and modern warfare's high demands on the support factor; the contradiction between the small defense budget and the large demand by army building; and the challenges posed by high-technology warfare and market economy to the military economic work. In order to overcome contradictions and seek development, the military economic work must keep deepening the reform, now and for some time to come, in accordance with the requirements specified in "An Outline Program for the Adaptation to a Socialist Market Economy and the Acceleration and Deepening of Logistic Reforms" approved and transmitted by the CMC.

A precondition for deepening the reform of the military economy is to strengthen studies on market economy. It is necessary to understand Comrade Deng Xiaoping's important expositions on market economy in a complete, accurate, and comprehensive way; and study the impact of the market economy on the military economic work by applying Comrade Deng Xiaoping's basic stand, viewpoint, and method. We must recognize that the pricing mechanism and the mechanism of competition in the market economy, while broadening the channels for sourcing material supplies and widening choice have, because of bigger price fluctuations, weakened the stability of the policies, laws, and regulations, and the institutions related to funding and material supply in the military economic work; while stimulating the initiative and creativity of the broad ranks of military economic workers in the competition they have, because of the inadequate adaptation to such changes by the support system, added to the difficulty in material sourcing by logistics departments in the special environment of the Army; and while spurring military economic workers to try all possible means to look for resources and improve the effectiveness of the money and material available they have, because of the outmoded method of supply, negatively affected the normal logistic support of Army troops. The reform of military economic work should, according to Comrade Deng Xiaoping's brilliant thesis that "both planning and market are economic means" and according to the characteristics of the military economy, must adhere to "one principle," overcome "two tendencies," and adopt "two ideas." That means we must adhere to the principle that the primary task of military economic work is to adapt to the market economy and not to develop the market economy; to overcome the tendency of courting the market, rejecting planning, and ignoring the macroregulation and control role of planning; to overcome the tendency of "letting go all restrictions" at the mention of market and ignoring the fact that the market economy is regulated by law; and to adopt the idea that no matter how the planned economy will change into a market economy, the nature, aim, and mission of the Army will never change and the idea that the Army's overall dependence on the supply of resources through the main channel of the state will remain unchanged.

To deepen the reform of the military economy, we must create convergence of the the military economy with the national market economy. The military economy is a subsystem of the national economy and their relationship is that between the part and the whole. With the establishment of our socialist market economy and the improvement of its operational mechanism, all its subsystems are inevitably required to enter the orbit of macroeconomic operation. The military economy is no exception. Otherwise, not only can the state not establish a complete market economic system, the military economy will find it hard to operate in the environment of the market economy. This year has been a crucial one for the conversion of the national economic system, which means the conversion of the national economy and how the military economy shall converge with it is, and will for a long time to come be the difficult point, as well as the focus of our military economic work. We must keep up with the pace of the conversion of the national economy, explore the method of convergence, and recommend possible measures. The first measure is to reform the logistic management system and introduce a "dual-track system" incorporating both market and planning. On the one hand, we must make full use of the market's regulatory function and role; dispose military economic resources rationally; and promote efficient operation of the the military economy in production, distribution, circulation, and consumption. On the other hand, we must give full play to the regulatory function and role of planning; set a rational strategic goal for the development of the military economy; make a good job of forecasts, total demand and supply control, and overall planning for the development of the military economy; concentrate human, material, and financial resources on key construction projects; and promote the overall development of the the military economy. The second measure is to reform the mode of logistic support. We should organize support resources by integrating the "main channel" of state support with the "supplementary channel" of social support; integrating the market within the Army with the social market at large; and integrating fund supply with material supply. The third measure is to reform the mechanism of logistic support. We should change the management functions of the military economic departments at all levels and change the traditional microeconomic management focusing on setting targets and distributing material and equipment into the macroregulation and control which emphasizes the need to work out proper policies and principles; change the traditional direct management emphasizing the use of administrative means to indirect management mainly using economic levers; and change the traditional supply management emphasizing control to inspection-supervision-coordination services. In short, we should, by means of deepening the reform, work on management and strive to improve economic efficiency on the one hand and, on the other, work on production, raise economic returns, and continuously strengthen the stamina of the development of the military economy.

Jinan Military Official Visits Henan

*HK1301061695 Zhengzhou Henan People's Radio
Network in Mandarin 2300 GMT 12 Jan 95*

[FBIS Translated Text] At a time when New Year's Day has just passed and the Spring Festival is approaching, a Jinan Military Region greetings-conveying delegation, headed by Political Commissar Du Tiehuan [title as heard] and Deputy Political Commissar Zhang Wentai, paid a visit and conveyed greetings to our province on 11 January.

Yesterday afternoon, provincial party and government leaders Li Changchun, Ma Zhongchen, Ren Keli, Song Zhaosu, Fan Qinchun, and Li Zhibin had a discussion with all the members of the greetings-conveying delegation to exchange views on how to improve the double-support work.

Du Tiehuan, Jinan Military Region political commissar, said: In the past year, Henan Province did a lot of work in such aspects as the placement of demobilized soldiers, the implementation of preferential measures for families of revolutionary soldiers and martyrs, and arrangements for employment and school enrollment for soldiers'

families, which have given a strong impetus to Army building. He said: In the future, we will, as always, launch joint-building activities between the Army and the people, take part in local economic construction, take the initiative in undertaking emergency, difficult, and dangerous missions, and make contributions to Henan's strategic objective of fulfilling a high target as well as a low one [yi gao yi di].

Provincial party Secretary Li Changchun briefed the greetings-conveying delegation on Henan's history, resources, and state of economic development. He said: The results achieved by Henan in reform, opening up, and economic construction are greatly related to the strong support given by the Jinan Military Region and People's Liberation Army troops. In the new year, we must make further efforts to improve the work of supporting the Army and giving preferential treatment to families of revolutionary armymen and martyrs, to help the troops surmount their difficulties and anxieties, to achieve exemplary results in the double-support work, and to advance the double-support work throughout the province to a new stage.

General**Internal Trade Minister To Be Removed***HK1201031695 Hong Kong MING PAO in Chinese
11 Jan 95 p B1*

[Report by Special Correspondent Yuan Bing (5913 0365): "Internal Trade Minister To Be Removed From Office for Failing To Bring Down Prices"]

[FBIS Translated Text] Dissatisfied with and indignant over the country's disorderly circulation, grain, goods, and equipment markets, the CPC hierarchy recently decided to reshuffle the leadership of the Internal Trade Ministry. According to reliable sources, Internal Trade Minister Zhang Haoruo and Vice Minister Bai Meiqing, who is concurrently director of the state grain reserve administration, are to be removed from office.

It has been learned that Hunan Governor Chen Bangzhu, who is now 61 years old, probably will be transferred to Beijing to take over as China's internal trade minister.

Sources disclosed that Zhang Haoruo, who is 63 years old, was appointed internal trade minister only two years ago, after having served as China's foreign economic and trade vice minister and as Sichuan governor, as well as in other capacities. In accordance with China's regulations, ministerial-level officials are set to retire at age 65. Since he has not yet reached retirement age, Zhang Haoruo very likely is to be transferred to become a vice minister in the country's state commission for restructuring economy.

Sources said that since his appointment as China's internal trade minister in March, 1993, Zhang Haoruo has been energetically cultivating a "big circulation" concept, with an eye to breaking down barriers between higher and lower levels, and between different departments or regions, as well as an eye to establishing a unified nationwide market. He also has actively called for subjecting supply-demand relations for all types of commodities to market regulation, with the result that China decided in mid-1993 to place grain operation under comprehensive market regulation; lift the "three controls"—control over grain prices, over grain operation, and over the grain market; and extensively reform state-owned commerce by leasing, auctioning, or contracting out small and medium-sized state-run shops and grain stores. As a consequence, grain prices skyrocketed in some eight provinces and three municipalities on the mainland at the end of 1993, including Guizhou, Yunnan, Guangxi, Guangdong, Fujian, Hainan, Zhejiang, and Sichuan Provinces, as well as Beijing, Shanghai, and Tianjin Municipalities. Since the state grain reserve administration failed to transfer and allocate grain in a timely manner, and most of the state-run grain stores had been closed, the turmoil lasted for more than a month.

High grain and food prices are believed to have pushed up China's high inflation rate in 1993. The central

authorities accused the state-run commerce of being incompetent in bringing skyrocketing prices under control and of failing to serve as the "principal channel." CPC Central Committee General Secretary Jiang Zemin and Zhu Rongji, vice premier with special responsibility for the country's economy, expressed their dissatisfaction with the situation on numerous occasions.

The Eighth National People's Congress held in 1993 decided to merge China's former commerce ministry and its materials and equipment ministry into a new ministry: The Ministry of Internal Trade, in the wake of the State Council's institutional reform. The new ministry absorbed 800 people from among some 1,600 employees laid off by the two former ministries. With the help of Zhang Haoruo, a number of employees laid off by the two former ministries set up a large number of companies, including futures companies, commodity trade agencies, and some other companies, which were believed to have disrupted China's circulation market.

Moreover, China's decontrol of petroleum and steel product prices has caused disorder on the country's production means market, thus becoming another "indictment" against Zhang Haoruo, who now is accused of administrative incompetence.

Sources stated: In all fairness, these problems have been caused by the country's macroeconomic environment, not by Zhang Haoruo or the country's Internal Trade Ministry. Zhang Haoruo is to be removed from office simply because he has failed to keep abreast with central policy changes.

Since the fourth quarter of last year, many measures introduced by China's Internal Trade Ministry have been rectified. For instance, the state has recovered former state-run grain stores leased or contracted out to individuals, regained control of grain wholesale and cotton purchase operations, restandardized petroleum and steel product operations, shut down most of the futures markets, imposed strict control over futures transactions, and so on.

Li Tieying Inspects Shanghai's Economy*OW1201131695 Beijing XINHUA Domestic Service in
Chinese 0708 GMT 12 Jan 95*

[By reporter Chen Maodi (7115 3029 1717)]

[FBIS Translated Text] Shanghai, 12 Jan (XINHUA)—Li Tieying, member of the CPC Central Committee Political Bureau, State Councillor, and minister in charge of the State Economic Restructuring Commission, pointed out during his recent inspection of Shanghai the need to conscientiously implement the guidelines set forth at the central economic working conference, unify thinking, enhance leadership, and accelerate the pace in building a socialist market economic system.

During his stay in Shanghai, Li Tieying, accompanied by Huang Ju, Meng Jianzhu and other comrades in charge, held discussions with comrades in charge of the municipal economic restructuring committee and other departments. At the meeting, Li Tieying fully affirmed the results Shanghai has achieved in implementing the guidelines set forth at the 14th CPC National Congress and in following Comrade Deng Xiaoping's instructions to "effect changes in one year and effect major changes in three years." He added that Shanghai had correctly handled relations between reform, development, and stability, persisted in seeking innovation of the system in reform, and managed to devise new ways of development. The key to realizing the development strategy to make Shanghai "a locomotive and three centers for economic development" and for reaching new heights over the next three years is to seize opportunities and to deepen reform. Shanghai has the conditions as well as the responsibility to take a leading and demonstrative reform role.

Li Tieying said the general tasks for this year's reform are: Reform of state-owned enterprises, with the major goal of promoting the establishment of a modern enterprise system; reform of other related reform measures, including reform of the social security system, and the fostering of a market system; transformation of government functions; the further deepening and perfection of the macro-management system and reform; and doing a good job in other areas of reform. He stressed the need to produce results in enterprise reform by separating government functions and enterprise management, by effecting a change in operating mechanisms, and by enhancing the internal management of enterprises. Reform of large and medium-sized enterprises must go in tandem with industrial structural readjustment, technological transformation, and small enterprise reorganization; must bring about the development of enterprise groups; and must raise the quality and efficiency of economic operations.

Li Tieying said the primary task of social security reform this year is reform of the pension and unemployment insurance systems; and he called for an expansion and deepening of reform of the social security system. In 1993 Shanghai took the national lead by establishing a pension insurance system that was characterized by a combination of overall social planning and personal contributions. This year, more cities are expected to follow the new plan and carry out pilot programs in line with the State Council's arrangements.

Li Tieying also pointed out the need to do a good job in market supply as the Chinese Lunar New Year draws closer. Shanghai's "activities to bring warmth" is a very effective method. He called for care and concern to be shown to low-income groups and for people who are in difficulties. There is a need to further stabilize market prices, bring order to the distribution system, and ensure that the masses enjoy a peaceful festival.

Touching on the work of restructuring the economic system, Li Tieying said that as reform had entered a new stage, it was necessary to promote overall reform, carry out other supplementary reforms, and establish a new economic system. To ensure a coordinated and smooth implementation of various reform measures, those in charge of party and government organs must be personally involved in reform and enhance their leadership of reform. As this year marks an important year in the formulation of the "ninth five-year plan," comrades working at all levels in economic restructuring departments must penetratingly and systematically study the socialist market economy; devise reform plans and measures which are closely integrated with the actual conditions of local economies; pay attention to solving major contradictions in the course of progress and to problems which are of great concern to the masses; genuinely play the roles of consultants and assistants to the party and government; and promote reform in a down-to-earth manner.

Trade Official on 1995 Enterprise Reform

OW1301113495 Beijing XINHUA Domestic Service in Chinese 0556 GMT 30 Dec 94

[Report on interview with Chen Qingtai, Vice State Economic and Trade Commission Minister, by RENMIN RIBAO reporter Mo Xinyuan 5459 1800 0337 and XINHUA reporter Li Anding 2621 1344 1353 place and date not given: "Arduous Task of Enterprise Reform, 10 Measures To Be Launched"]

[FBIS Translated Text] Beijing, 30 Dec (XINHUA)—The CPC Central Committee and the State Council have affirmed that the reform of state-owned enterprises will be the focal point of China's economic restructuring in 1995. Interviewed by RENMIN RIBAO and XINHUA reporters recently, Chen Qingtai, vice State Economic and Trade Commission minister, briefed them on plans for deepening enterprise reform in 1995 and for running state-owned enterprises successfully.

With the launching of several key reform measures in 1994, the framework of a socialist market economy is taking shape. Chen Qingtai said: The general concept of successfully running state-owned enterprises must be suited to the framework. In the future, our government will create orderly and competitive conditions for enterprises, promote transformation of enterprise mechanisms and establishment of a modern enterprise system, and bring the leading role of state-owned large- and medium-sized enterprises in a socialist market economy into play.

To do away with outdated concepts and develop new ones on enterprise reform, Chen Qingtai asserted:

First, we cannot avoid major structural readjustments. Structural readjustments include distribution of enterprises, industrial structure, and product mix. In the transition from a planned economy to a market

economy, structural contradictions have become conspicuous. Leading economic departments at all levels will achieve half the result with twice the effort if they lack a clear understanding of this issue and only strive to manage an individual enterprise. In recent years, Shanghai has undergone great structural readjustments; has developed a number of new leading products and pillar industries, such as automobile, steel, electronics, and telecommunications; has created a new ground for economic development; and has helped a great number of old enterprises find a way out and gain vitality. We can imagine that by relying on old pillar industries, such as the textile industry, Shanghai could never have achieved its present economic prosperity, no matter how hard the 500,000 workers and staff members work. Therefore, the concept of enterprise reform should be established by linking the individual enterprise to the improvement of the entire state economy's strength. Enterprise reform should focus on structural readjustment and development of leading products and competitive commodities in markets nationwide and worldwide.

Second, to make a success of state-owned large- and medium-sized enterprises, we can no longer sit idle and wait for the state to launch projects, provide capital, or offer favorable treatment. Enterprises should improve internal mechanisms in line with market demands. It is necessary to rely on management and scientific and technological advances to improve efficiency and be sensitive to market information and indicators of macroeconomic regulation and control. On the basis of a structure that is becoming rational, we should use the state's investments in technical transformation as a catalytic agent to generate new productive forces from capital resources.

Third, we should have a good grasp of the principle of separating government administration from enterprises management—a key link in establishing a modern enterprise system. Through reform, sources that make investments in state-owned assets can only enjoy shareholders' rights and can no longer exercise administrative authorities. Simply speaking, once they become "bosses," they can no longer act as a "mother-in-law." We should define investment sources through experimentation, regulate their conduct, and establish an asset management responsibility system, so that they will be responsible for the guaranteed and increased value of state assets.

As to current problems of state-owned large- and medium-sized enterprises, Chen Qingtai, who had worked for state-owned large enterprises for a long time, summarized the problems as three historic burdens—enterprises supporting social undertakings, a large proportion of surplus staff, and a heavy debt burden. In his view, we cannot resolve these problems in one move and should carry out reforms and make long-term and down-to-earth efforts to resolve them.

Chen Qingtai said next year's task of enterprise reform is very arduous and imminent. Several reform measures will be launched:

- We will concentrate energy on conducting modern enterprise system experiments in selected enterprises and "optimizing capital structure" in several cities, set by the State Council.
- We will implement the regulations for changing the operating mechanisms and for supervising and managing the assets of state-owned enterprises. We should double our efforts to continually grant enterprises decision-making powers, separate government administration from enterprise management, and create required external conditions for enterprises to enter the market. We will submit the name list of 1,000 enterprises under supervision of the supervision organs authorized by the State Council and designate board of supervisors in various phases and batches.
- We will increase capital for enterprise operations and production through various channels and establish a mechanism to supplement capital for enterprise operations and production. The state will gradually set up channels to facilitate channeling capital into state-owned large- and medium-sized enterprises in a stable and selective manner.
- We will increase investment in enterprises' technical transformation, raise the percentage of investment in technical transformation over that in fixed assets to more than one third, and quicken the pace of enterprise transformation.
- To divert enterprises' surplus staff, we should make overall plans, carry them out step by step, gradually make a transition from settlement primarily made by enterprises to labor market regulation, establish and perfect a social security system, and separate enterprises from supporting social undertakings.
- We will organize and conduct enterprise bankruptcy experiments. We will gradually perfect and regulate measures on protecting the lives of workers of bankrupt enterprises, and work on establishing the precautions and regulatory system of bankruptcy in state-owned enterprises.
- We will take measures to resolve state-owned enterprises' historical transitional debts.
- We will continue to launch the campaign of "changing mechanisms, paying attention to management, improving internal mechanisms, and increasing efficiency" and raising enterprises' overall quality. We will integrate the implementation of the regulations for supervising and managing assets of state-owned enterprises to conduct overall supervision over leading bodies of a number of large- and medium-sized enterprises in an organized way, and to replace unqualified managers.
- We will give more effective guidance to strategic structural readjustment of state-owned large- and

medium-sized enterprises, according to the state's industrial policy and strategy of regional economic development.

- We will continue to conduct enterprise group experiments in 55 enterprises selected by the State Council, and will select a few enterprises for comprehensive firm experiments.

Commentary on Efficiency of Economic Growth

OW1301051895 Beijing XINHUA Domestic Service in Chinese 0923 GMT 6 Jan 95

["Weekend Economic Commentary" by XINHUA reporter Li Anding (2621 1344 1353): "Quality and Efficiency—The Two Wheels of Favorable Economic Growth"]

[FBIS Translated Text] Beijing, 6 Jan (XINHUA)—The Central Economic Work Conference put forward a very important guiding principle for 1995, and future economic work: Vigorously improve quality and efficiency in economic growth, and promote a favorable economic cycle. In a sense, favorable economic growth is propelled by the two wheels of quality and efficiency.

Improve quality and efficiency—an utterance that seems commonplace. Even now, low quality and efficiency, not low speed, are what trouble our country's economy. That we have fallen behind others in quality and efficiency is clearly reflected in these four aspects:

1. We have an irrational product mix, some of our products cannot meet market demand, and we are seriously overstocked. In some provinces, 20 percent of products in the province are readily marketable, 50 percent are fairly marketable, and 30 percent are unmarketable. How can we talk about favorable economic growth if such a situation persists over a protracted period?
2. Our labor productivity is low. The per-capita steel output of our steel industry is 20-40 tonnes, compared to 500-800 tonnes in developed countries. This shows that we still have much to do to improve labor productivity.
3. Our products reflect little scientific and technological progress and yield low added value. Garments and textiles are our country's largest export. The average price of our exported garments are around \$3, whereas that of developed western countries is around \$80-\$100. Technological progress contributes to around 28 percent of our country's economic growth, far lower than the 50-70 percent in developed countries, and also lower than the 30 percent in developing countries.
4. We have high material and energy consumption. Our country's energy consumption and steel consumption per unit of gross national product is, respectively, four and seven times that of the United States. This explains the low quality and efficiency in our economic growth.

One way of improving quality and efficiency is to exhaust all means to improve the three types of efficiency mentioned by Comrade Jiang Zemin at the Central Economic Work Conference—efficiency in terms of optimized structure, scale, and scientific and technological progress.

- To obtain better efficiency from structural optimization, one has to intensify efforts to readjust the industrial structure, the product mix, and enterprises' organizational structure. We should rationally restructure society's fixed-asset investments, make overall plans, distribute things rationally, act according to our capabilities, and pay attention to actual results.

- To improve efficiency through fairly large-scale operations, one has to focus on developing economies of scale, continue experimenting with enterprise groups, encourage enterprises to expand the scale of their operations, organize specialized production, and improve economic returns. We should use various means to develop enterprise groups that combine industry, technology, trade, and banking activities into one and whose activities cut across different regions and trades.

- To improve efficiency through scientific and technological progress, one has to intensify technological upgrading in existing enterprises, accelerate scientific and technological progress in enterprises, and vigorously turn science and technology into practical productive forces.

In short, vigorous efforts to improve quality and efficiency in economic growth affect the overall situation of reform, development, stability, and sustained, rapid and healthy national economic development. They are of great strategic and practical significance to the long-term strategy for our country's economic development and to the present economic operations. We should unify our thoughts, really stress quality and efficiency in economic growth in our economic work, and focus on these very important and urgent tasks. Comrades handling economic work in all localities and departments should overcome their inclination to blindly go after output value and speed with determination, actually shift their focus to improving quality and efficiency, and take the developmental path of low investment, high output, good quality, low consumption, and high efficiency.

Science Academy To Focus on Economic Development

HK1301083995 Beijing CHINA DAILY in English
13 Jan 95 pp 1, 2

[By He Jun: "Science Academy Charts Reforms"]

[FBIS Transcribed Text] China's top scientific body will further adjust its research structure in the run-up to the turn of the century to focus more sharply on the nation's economic development.

The Chinese Academy of Sciences (CAS) has listed 14 key research areas in its draft Ninth Five-Year Plan (1996-2000) that are closely related to industrial technology and essential to social development. The plan is to be examined at the CAS '95 Working Conference, which opened yesterday in Beijing.

Research areas include clean coal technology, new materials and parts, computer and information technology, industrial and manufacturing automation, electric automobile technology, comprehensive use of natural gas, advanced medical equipment, biological technology and natural medicine, optic electronic technology, green technology, disaster prevention and relief, regional agricultural sustainable development, bio-system and regional environmental protection, space, and remote sensing technology.

At the conference deputy CAS president Lu Yongxiang stressed that the CAS should make more contributions to raising the nation's annual grain output to 500 million tons by the year 2000 and to the technological upgrading of state-owned large- and medium-sized enterprises.

CAS also will carry out over 100 basic research projects, Lu said.

The selection of research projects should be based on China's situation and national strength, said CAS president Zhou Guangzhao.

World competition of national strength actually is in science, technology, and education, said Zhou.

Zhou encouraged scientists to fully use their initiative and change their thinking style that is based on the "big rice bowl" philosophy to better suit market competition.

Both presidents stressed the importance of training more young researchers for future scientific development in the next century.

Young scientists should account for no less than one-third of the leading groups in national key research projects, Lu said.

The total number of postgraduates studying in CAS institutes should approach 10,000, with about half seeking doctorate degrees. Post-doctorate centres should increase from the current 74 to 85 by the year 2000, according to the 1996-2000 plan.

Further competition in the academic circles through streamlining efforts also is part of the plan. By 2000, between 40 and 50 percent of researchers in CAS institutes should be graduates, post-doctorates, visiting scholars, and short-term researchers.

Five more funds will be established by 1996 to support basic, as well as application, research to help reform China's scientific research financial system.

CAS also welcomes donations from other social sectors to establish all kinds of funds, Lu said.

A computer network project will be launched this year aimed at connecting all research institutes and labs and boosting information exchange among them.

New 'Indicators' for Enterprise Evaluation Set

OW1301002295 Beijing XINHUA Domestic Service in Chinese 0811 GMT 4 Jan 95

[FBIS Translated Text] Beijing, 4 Jan (XINHUA)—To meet the demand of building a modern enterprise system starting in 1995, the Ministry of Finance will institute a new set of indicators for measuring enterprises' economic efficiency. The set comprises ten indicators—sales profit rate, return on total assets, rate of return, capital value preserving and appreciation rate, the ratio of assets to liabilities, liquidity ratio (or quick ratio), accounts receivable turnover, turnover of inventories, social contribution rate, and social accumulation rate.

It has been learned that this set of indicators has three characteristics: First, it is in line with international practice while maintaining Chinese characteristics—it is based on internationally used indicators and appraising methods, and is in line with the reformed enterprise taxation system and financial and accounting system. Second, it provides an overall appraisal for an enterprise' performance—through evaluating an enterprise's investors, creditors, and contributions to society, these indicators show an enterprise's profitability, its ability to preserve and increase the value of its capital, the levels of its assets and liability, its debt-repaying ability, and its contributions to the state and society. Third, this set of indicators takes into consideration both an enterprise' economic efficiency and the social benefits it generates, enabling these indicators to reflect an enterprise' contributions to the state and society, thus eliminating the practice of the last few decades in which an enterprise' contributions were measured by its profits or the profits and taxes it delivered to the state. An enterprise's social contribution rate indicates the value that an enterprise creates or contributes to the state and society through the application of all assets it has. An enterprise' social accumulation rate is the percentage of the amount that an enterprise delivers to the state in the total amount of the enterprise' social contributions. The Ministry of Finance is currently working full time to draw up specific evaluation procedures.

Shanghai Experiments With New Enterprise System

HK1201151295 Beijing RENMIN RIBAO in Chinese 5 Dec 94 p 1

[By Lu Wangda (0712 4986 1129): "Shanghai Launches Experiment With Modern Enterprise System in 100 Selected Enterprises"]

[FBIS Translated Text] Shanghai, 4 Dec (RENMIN RIBAO)—The Shanghai Municipal CPC Committee and municipal government have decided to take the

establishment of a modern enterprise system as the central link in reform over the next three years and have fixed the general objective of basically establishing a modern enterprise system by 1997.

The establishment of a modern enterprise system is a complicated and comprehensive project. In the last few months, with the joint efforts of all relevant departments in the municipality, Shanghai has taken the lead in completing the formulation of a reform program for the establishment of a modern enterprise system. The objective will be achieved over three years, and the program will be carried out in four stages. Now, the municipality has entered the initial stage of substantive actions for the establishment of a modern enterprise system and more than 100 enterprises have been selected for the experiment. Shanghai has stressed the need to coordinate things properly in six aspects in the course of the pilot scheme: Increasing enterprise dynamism should be linked with increasing their assets, microeconomic issues should be linked with macroeconomic issues, across-the-board coordination should be linked with breakthroughs in key fields, the establishment of the new system should be linked with the transformation of management and operational mechanisms, learning from other people's experience should be linked with self-creation, and reform should be linked with stability. Thus, the process of reform in establishing a modern enterprise system in Shanghai will be advanced smoothly in a stable environment.

At today's work meeting on establishing a modern enterprise system, Shanghai Mayor Huang Ju expounded on Shanghai's general guidelines for quickening the process of mainly establishing a modern enterprise system in state-owned enterprises: In the management of state assets, the value of the assets should be managed by state-owned investors; in the aspect of capital composition, property rights should be based on corporate legal persons; the organizational form of property in enterprises should be adjusted; and the asset-liability structure of enterprises should be optimized. In the aspect of enterprise organization and management, an optimized management structure of legal persons should be established. The enterprise distribution system should be improved. Enterprises should be freed from social welfare burdens. A "re-employment project" should be launched to make arrangements for redundant personnel from the enterprises.

Control of Group Consumption Stressed for 1995

HK1301122895 Beijing ZHONGGUO XINWEN SHE
in English 0935 GMT 13 Jan 95

[FBIS Transcribed Text] Beijing, January 13 (CNS)—This year China will tighten its control over social groups' consumption, resolutely curb the tendency of increase of group consumption and stop any misappropriation of public funds for staff's consumption, said the office in charge of controlling social groups purchasing power under the Ministry of Finance.

China will strictly control the consumption of social groups with the following measures this year.

1. The country will speed up its reform in controlling the purchasing power of social groups as well as establish an administrative system and adopt several measures to reach this end.
2. Offices of controlling social groups purchasing power at different levels will strengthen their examination over special commodities under control. Purchase of sedans and other expensive consumer goods by administrative departments and institutions will be checked strictly.
3. There will be stricter supervision and inspection as well as implementation of financial disciplines. Extravagant consumption, including violation of state stipulations and misappropriation of public funds for purchasing high-grade consumer goods, will be seriously dealt with.

Report Reveals Return of 'Debt Chains'

HK1201142695 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 0917 GMT 14 Dec 94

[FBIS Translated Text] Beijing, 14 Dec (ZHONGGUO TONGXUN SHE)—According to a special report issued by the Survey and Statistics Department of the People's Bank of China, the previously resolved problem of debt chains among enterprises has resurfaced since the beginning of this year, thus causing serious confusion in the economic order.

The report entitled "Reasons for Current Enterprise Debt Defaults and Countermeasures" pointed out that, according to statistics from the 390,000 industrial enterprises with independent business accounting at the township level and above released by the State Statistics Bureau, the net volume of debts to be recovered at the end of November this year amounted to around 600 billion yuan, an increase of 186 percent over the same period last year, while the figure for the 10,000 large and medium-sized state-owned industrial enterprises was about 200 percent more, obviously higher than the national average. The total volume of debt defaults drastically expanded, and the total volume of debt defaults in heavy industry was far higher than in light industry. A relatively large number of defaults were found in the ferrous metal smelting, mining, machinery and electronic, meter, and chemical industries, as well as in the transportation and petroleum processing sectors.

According to an analysis in the report, the reasons for the drastic rise in enterprise debt defaults are relatively complicated. Seen from direct causes and effects, there are three reasons behind the rise. 1) The scale of investment in fixed assets is overstretched and enterprises' official funds have not been secured; 2) product overstocking is serious; and 3) enterprises have a hazy sense of credit and the business credit order is confused.

New Policy on Enterprise Debts Set*HK1201143195 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0735 GMT 9 Dec 94*

[FBIS Translated Text] Beijing, 9 Dec (ZHONGGUO TONGXUN SHE)—The State Commission for Restructuring Economy has put forward a new policy to solve the problem of old state-owned enterprises' excessive debts. There are four main points to this policy:

First, after starting the collection of 33-percent income tax in a unified manner, some enterprises with a relatively low level of economic efficiency and profits may invoke tax rates of 27 and 18 percent for two years. For a small number of enterprises whose overall input and output contracts have been approved by the provincial government, they may extend the policy of returning to enterprises the portion of income which resulted from preferential treatment up to the end of 1995 if their contracts are verified again by the Ministry of Finance and the State General Administration of Taxation. With the approval of the state departments concerned, old state-owned enterprises which need support may retain profits after their latest income tax payment. Second, regarding enterprises debts which resulted from carrying out experiments in "changing allocation to lending" from the state or local finance departments, these debts can be changed from lending to investment to increase the capital funds of enterprises, and the quantity and percentage will be based on respective cases. Third, creditor's rights on debts between enterprises carrying out experiments and other enterprises can be turned into stock rights through consultations, and the capital funds of both enterprises should be verified again. Fourth, a debt trust organization for superior enterprises selected for experiments can be established so that the debts of a number of enterprises concerned can be transferred to the trust organization.

Improvements in State-Owned Firms Reported*HK1301063495 Beijing CHINA DAILY in English 12 Jan 95 p 1*

[By Sun Shangwu: "Red Ink Dries Up at Firms"]

[FBIS Transcribed Text] The condition of money-losing state-owned enterprises is improving, official sources with the State Economic and Trade Commission announced yesterday.

The number of state firms recording deficits decreased by 3,238, between last March and November, from 49.6 percent to 41.4 percent, of all state firms. The drop of 8.2 percentage points was attributed to continued reform efforts.

The growth in the amounts of the firms' deficits began to drop last March, when the government took measures to improve their performance.

The number of money-losing enterprises owned by local authorities declined by 8.4 percent from last March to

40.7 percent in November and the growth rate of their deficits declined 106.7 percent. Meanwhile, the numbers of money-losing enterprises run by the central government decreased by 5.9 percent from last March to 59.8 percent in November and the growth rate of their debts was down by 10.5 percent.

The State Economic and Trade Commission attributed the slight improvement to the effective measures taken by government departments and enterprises at all levels.

The State Council, which attaches great importance to this work, held a teleconference and a national meeting separately last March and June to inspire local officials to work on improvements.

The municipal government in Shenzhen sent 10 working teams to guide 13 debt-ridden state firms out of their deficits.

The Shenzhen Investment Corp also spent 20 million yuan (\$2.4 million) to set up a fund to help these firms. The corporation and the city's financial body each allocated an additional 10 million yuan (\$1.2 million) to the scheme.

The provincial government in Yunnan accumulated 170 million yuan (\$20 million) to aid 49 technological renovation projects involving 46 enterprises.

The Yunnan Provincial Government predicted that 24 enterprises will become profitable when the projects come into operation.

The State Economic and Trade Commission official said that useful experience accumulated by local authorities will be publicized across the nation.

Nonstate Firms Pass State Industries in Growth*HK1301063395 Beijing CHINA DAILY in English 12 Jan 95 p 1*

[By Wu Yunhe: "Nonstate Industrial Sector Moves Ahead"]

[FBIS Transcribed Text] The growth of nonstate industries far outstripped that of the state industrial sector last year, the State Statistics Bureau says.

Private and collective firms, joint-stock companies, and foreign-funded ventures accounted for 84.8 percent of last year's growth in industrial output value, according to a monthly report from the bureau, released yesterday.

It is the first time that the output value of nonstate industries has topped that of their state-run counterparts.

Collectively owned industrial firms chalked up annual growth of 21.4 percent, while private and foreign-funded industrial companies garnered an annual increase of 27.9 percent in output value.

State-owned industrial firms experienced yearly growth of 5.5 percent last year, while state-controlled joint-stock factories saw their output value rise 6.8 percent.

Based on a preliminary survey, the bureau also gave a general outline of the country's industrial performance in 1994, which differed slightly from an earlier prediction given by the bureau's spokesman at a news conference last December.

Industrial incremental output value rose 17.5 percent to 1,618 billion yuan (\$192.6 billion) last year, the bureau said yesterday.

Although the figure was 0.3 percentage points lower than the 18 percent predicted by the bureau in December, it was still the third biggest jump over past 16 years.

Coal output increased by 6.2 percent last year to 1.21 billion tons and electricity output went up 11.4 percent to 909 billion kilowatt-hours.

Steel production climbed 3.2 percent to 91.53 million tons, while the output of 10 major nonferrous metals totalled 3.75 million tons, up 13.8 percent.

The nation turned out 1.4 million motor vehicles, an increase of 7.1 percent from 1993.

To cope with the rising demand for agricultural production materials, the country's Industries produced 22.76 million ton of chemical fertilizer, up 12.9 percent, and chemical pesticide output grew by 7.8 percent to 270,000 ton.

State Sector Tries To Control Food Market

HK1301063295 Beijing CHINA DAILY in English
12 Jan 95 p 4

[By Wang Lingling: "State Presence Can Reduce Market Price Swings"]

[FBIS Transcribed Text] Where's the beef? It's on the counters of private vendors.

The country's private marketeers are taking an increasingly larger slice of the foodstuffs market. The state sector has been losing control over the market such as pork and vegetables and consequently has little power to stop price hikes.

After tightening the money string and boosting commodity supply, China has realized that one of the vital measures required to stabilize the market and curb inflation is to revitalize the state-owned marketing sector.

At a conference held late last month, the Ministry of Internal Trade set two targets for its work this year: To boost state food companies' share of the market in large and medium cities to 40 percent for pork and 20 percent for vegetables.

The move indicates that the central government's resolution to promote the "dominator" role of the marketing industry in the national economy.

State marketing enterprises have seen their role reduced in recent years. Data show that they account for no more than one-quarter of the retail market and one-fifth of the materials market.

This has resulted in a reduction of the central government's control over the market.

At the same time, the country has been under severe inflationary pressure, which peaked last year, with food prices rising more than 60 percent over 1993. The sharp hikes in prices of basic daily necessities were beyond people's expectations. One of the complex factors that contributed to the steep inflation is the shrinking market presence of state enterprises.

The decline of the state marketing sector also hampered the purchase of major agricultural products such as grain, cotton, and cooking oil and triggered market chaos.

The country's marketing managers have realized that a market economy is not a free economy and to open the market does not mean to take a laissez faire attitude. They should take responsibility for stabilizing the market when it suffers fluctuations.

Last year, the Ministry of Internal Trade strengthened controls and put more effort into bringing down prices and stabilizing markets. The focus was on controlling the purchase, transfer, and supply of grain, cotton, cooking oil, meat, sugar, vegetables, and fertilizer.

Some grain reserves were distributed to state grain stores in big cities and price ceilings were set for the stores. The move helped guarantee people's daily supplies and ease price hikes.

The state also tightened controls to ensure that it could purchase sufficient agricultural products to increase its stocks.

The State Council reiterated that state grain departments must hold 70-80 percent of all grain produced.

To curb price hikes, the state must control the lion's share of the supply of major commodities that are of vital importance to people's daily lives.

State marketing enterprises have the responsibility to carry out the mission.

The government should send price signals more efficiently to the market through its state marketing sector. Under the pressure, private vendors will respond to keep their prices competitive, thus lowering the market price.

Precautions should be taken to ensure that such state marketing enterprises move and stop at the government signals instead of joining the buying and selling rushes as some of them did in 1993.

The supply and demand for food and other major agricultural products will remain high this year.

The country's marketing work should focus on strengthening control over major commodities, promoting reform of the marketing system, and improving the role of state marketing enterprises.

It is imperative that local reserve and contingency stockpiles be set up to guarantee the governments' macrocontrol over the market.

The Ministry of Internal Trade has ordered local governments to set aside reserves of grain, cooking oil, sugar, meat, and fertilizer. Local stockpiles generally must be sufficient to provide one to three months' supply. In big cities, more than three months' supply may be required.

Shipbuilding Requests Government's Aid

HK1301071895 Hong Kong AFP in English 0549 GMT
13 Jan 95

[FBIS Transcribed Text] Shanghai, Jan 13 (AFP)—China's shipbuilding industry wants government help to boost its competitiveness and support efforts to cut costs, a newspaper reported Friday.

Chinese shipbuilders are quoting higher prices and promising later deliveries than their international competitors, the English-language Shanghai Star reported, quoting the local Business News daily.

For instance, international shipbuilders are quoting 40 to 41 million dollars to build a Cape Hope-size bulk carrier for delivery in 1996, while Chinese shipyards quote 41 to 42.5 million dollars for delivery in 1997.

Quotations for other freighters and oil tankers are also higher than the international level and delivery dates also later, the report said.

The article attributed the decline in Chinese competitiveness to escalating production costs, 70 percent of which are incurred by importing equipment and buying raw materials.

The industry is facing other problems such as inadequate investment, rising labour costs, inefficient management and energy waste.

The report said Chinese shipyards' pursuit of higher quality and a better reputation made them more expensive than international shipbuilders.

Experts believed that Shanghai's shipbuilders would continue to be hampered by high costs and that the authorities should step in, the report said.

Procedures for Coal Production Permits Listed

OW1201045995 Beijing XINHUA Domestic Service in Chinese 0049 GMT 27 Dec 94

[FBIS Translated Text] Beijing, 27 Dec (XINHUA)—Administrative Procedures for Permits on Coal Production [hereafter referred to as the "Procedures"]

Chapter I. General Principles

Article 1. These "Procedures" aim to strengthen administration over the coal-producing industry and enhance safety in coal production.

Article 2. Coal enterprises extracting coal resources within the PRC must obtain coal production permits in accordance with the "Procedures" stipulations.

Coal enterprises without coal production permits shall not be allowed to produce coal.

Article 3. The Ministry of Coal Industry under the State Council and coal industry departments under respective provincial, autonomous regional, and municipal people's governments shall be responsible for issuing coal production permits and administering related work.

Chapter II. Requirements for Obtaining Coal Production Permits

Article 4. Before obtaining a coal production permit, a state or foreign-funded coal enterprise should fulfill the following conditions:

- (1) It has obtained a mining permit in accordance with laws.
- (2) It has mining designs with prior approval.
- (3) Its production system, including drilling the vertical shaft, haulage, ventilation, discharge of mine water, and power supply, fulfills the safety requirements for coal mines stipulated in state regulations; is in excellent conditions and reliable; and has passed assessment in accordance with laws.
- (4) Its mine manager should have undertaken training, fulfilled requirements, been fully qualified, and obtained a certificate of mine manager in accordance with laws.
- (5) Its special-task operators, including gas inspectors and coal-combine machine operators should be fully qualified and have obtained, in accordance with relevant state regulations, relevant qualifying certificates from the coal industry department under a local people's government at or above the county level.
- (6) Its telecommunications facilities above and below the shaft, as well as inside and outside of the mine are operating smoothly.
- (7) It implements measures on environmental protection in accordance with the requirements of relevant laws and regulations.
- (8) It has documents certifying that safety facilities for the mining construction project have been completed and passed assessment.
- (9) It should fulfill other requirements stipulated in relevant laws and administrative regulations.

Article 5. Before obtaining a coal production permit, a coal enterprise other than state or foreign-funded coal enterprises should fulfill the following conditions:

- (1) It has obtained a mining permit in accordance with laws.
- (2) It has mining designs or extracting plans with prior approval.
- (3) Its production system fulfills the safety requirements for coal mines stipulated in state regulations.
- (4) Its mine manager should have undertaken training, fulfilled requirements, been fully qualified, and obtained a certificate of mine manager in accordance with laws.
- (5) Its special-task operators, including gas inspectors and coal-combine machine operators, should be fully qualified, and have obtained, in accordance with relevant state regulations, relevant qualifying certificates from coal industry department under a local people's government at or above county level.
- (6) Its telecommunications facilities above and below the shaft, as well as inside and outside of the mine, are operating smoothly.
- (7) It has mining engineering plans for above and below the shaft, extracting engineering plans, and ventilation system plans.
- (8) It implements necessary measures on environmental protection.
- (9) It has documents certifying that safety facilities for the mining construction project have been completed and passed assessment.
- (10) It should fulfill other requirements stipulated in relevant laws and administrative regulations.

III. Steps for Obtaining Coal Production Permits

Article 6. The Ministry of Coal Industry under the State Council shall be responsible for issuing coal production permits to, and administering related work in, the following coal enterprises:

- (1) Coal enterprises whose operations have been approved by the State Council or relevant departments under the State Council.
- (2) Coal enterprises whose operations have extended across provincial, autonomous regional, or municipal administrative jurisdiction.
- (3) Foreign-funded coal enterprises.

Coal industry departments under respective provincial, autonomous regional, and municipal people's governments shall be responsible for issuing coal production permits to, and administering related work in, coal enterprises other than the three types of enterprises mentioned above.

Article 7. Coal enterprises should apply for a coal production permit for each of their mines (pits).

Article 8. To apply for a coal production permit before a coal mine (pit) is completed for production, a coal enterprise should submit an application in accordance with the stipulations in Article 6 of the "Procedures," and relevant documents and materials in accordance with the stipulations in Articles 4 and 5 of the "Procedures," to the Ministry of Coal Industry under the State Council or coal industry departments under respective provincial, autonomous regional, and municipal people's governments (hereafter referred to as the "Administrative Organs for Coal Production Permits").

"Administrative Organs for Coal Production Permits" should complete examining and verifying the coal enterprise's application, relevant documents, and materials within 60 days after receiving them. If the application passes assessments, a coal production permit shall be issued. Otherwise, no coal production permit shall be issued. However, the relevant "administrative organ" should notify the coal enterprise in writing and provide reasons for rejection.

Article 9. Only the Ministry of Coal Industry under the State Council shall be in charge of printing the coal production permits. No other unit or individual is allowed to print them without authorization.

Article 10. A coal enterprise may continue production as long as its coal production permit is valid. If an extension is needed, the coal enterprise should apply at the original "Administrative Organ for Coal Production Permits" for an extension, 90 days before its coal production permit expires.

Article 11. While obtaining a coal production permit at an "Administrative Organ for Coal Production Permits," a coal enterprise should pay permit-production expenses. After consulting with relevant departments of the Ministry of Finance and the State Administration of Commodity Prices under the State Council, the Ministry of Coal Industry under the State Council shall formulate the actual charges.

Chapter IV. Supervision and Administration Over Coal Production Permits

Article 12. "Administrative Organs for Coal Production Permits" should strengthen their supervision and administration over coal production permits, and should implement a system whereby they conduct an inspection of permit holders annually.

Coal enterprises should accept the supervision and inspections carried out by the "Administrative Organs for Coal Production Permits."

Article 13. "Administrative Organs for Coal Production Permits" should establish a system of filing and managing coal production permits, and improve the system later.

Article 14. After issuing a coal production permit to a coal enterprise, a relevant coal industry department under respective provincial, autonomous regional, and municipal people's governments should promptly submit related materials to the Ministry of Coal Industry under the State Council for the latter's records.

Article 15. Once a coal production permit—issued by a relevant coal industry department under respective provincial, autonomous regional, and municipal people's governments—is found to be inappropriate, the Ministry of Coal Industry under the State Council should promptly rectify or revoke it.

Chapter V. Penalty Provisions

Article 16. The "Administrative Organs for Coal Production Permits" or a relevant coal industry department of a local people's government at or above county level under their authorization shall mete out various penalties including imposing fines of no more than 50,000 yuan, forfeiting illegitimate incomes, suspending coal production, or revoking a coal production permit under any of the following violations of the "Procedures" stipulations:

- (1) A violator who presumptuously produces coal without a coal production permit.
- (2) A coal enterprise which fails to extend its expired coal production permit but which continues to produce coal.
- (3) An operating coal enterprise which fails to fulfill the requirements of a coal production permit during an inspection, which fails to rectify or improve its conditions according to the requirements laid down by a relevant coal industry department, or which still fails to fulfill the requirements after carrying out rectifications or improvement.
- (4) A violator who counterfeits coal production permits, who illegitimately transfers their ownership, or who fraudulently uses another's coal production permit.

Article 17. Disciplinary sanctions shall be meted out to leaders or other personnel of a relevant coal industry department who are directly responsible for any one of the following violations:

- (1) They have refused to issue a coal production permit to a coal enterprise which has fulfilled the requirements and which deserves a coal production permit.
- (2) They have presumptuously issued a coal production permit to a coal enterprise which has failed to fulfill the requirements of a coal production permit.

Article 18. All fines and forfeited incomes collected under Article 16 of the "Procedures" shall be turned over to the treasury.

Chapter VI. Supplementary Provisions

Article 19. Operating coal enterprises which have begun operations before the "Procedures" are promulgated

should apply for coal production permits within 180 days after the promulgation of the "Procedures."

Article 20. The Ministry of Coal Industry under the State Council may formulate relevant implementing rules in accordance with the stipulations of the "Procedures."

Article 21. The "Procedures" shall be effective on the date of promulgation.

Article Views 'Three Wanton Practices' on Highways

OW1301120295 Beijing XINHUA Domestic Service in Chinese 0555 GMT 11 Jan 95

["Reporter's Letter" by XINHUA reporter Wu Hongxiao (0702 4767 2556): "What Causes the 'Three Wanton Practices' To Resurface Along Highways"]

[FBIS Translated Text] Beijing, 11 Jan (XINHUA)—Our reporter recently accompanied the "State Highway Travel" inspection group—a group organized by the Ministry of Public Security, the State Council Office for Checking Unhealthy Tendencies in Business Activities, and the Ministry of Communications—on an inspection trip to nine provinces and cities in east and south China. She discovered that the "three wanton practices," namely the arbitrary establishment of checkpoints, the arbitrary imposition of fines, and the arbitrary collection of fees on highways, which were tentatively contained once, have recently resurfaced in many provinces and cities. These phenomena, caused both by subjective views and objective factors, indeed provide food for thought.

In the past decade, such erroneous thoughts as localism and selfish departmentalism have always been the main causes of the "three wanton practices" along highways. Judging from the present situation, therein also lies the crux of the resurfaced "three wanton practices" problem. Certain practices in our financial system have provoked these erroneous thoughts. Unlike other fees, fees collected by localities at highway checkpoints are mostly submitted to authorities at the provincial, autonomous regional, and municipal levels directly under the central government, and of these amounts, most will be returned to the fee-collecting departments via various channels. Hence, these fees are essentially and purely a form of local income—Why should localities not go ahead with the collection, especially when they are not required to provide any investment? Because there are no explicit rules against their actions, some provinces and cities have relied on wanton highway fee collections to boost their income or dispense more material benefits to certain departments. Their acts have caused the "three wanton practices" to resurface. A person from a relevant State Council department said: To prevent the "three wanton practices" from resurfacing, the key is to eliminate the inherent desire for benefits stemming from localism. For example, all such fees can be submitted to

relevant state departments on a trial basis, and redistributed by the state to localities according to their respective realities, so that the fees will not be connected to local interests.

Imperfect highway transportation and vehicle control mechanisms are also among the primary causes of the "three wanton practices" on highways. In recent years, state-run, collective, and individual concerns have expended great efforts in the transportation sector. The number of vehicles has increased sharply, but major management readjustments have not been made accordingly. This has resulted in loopholes, forcing people to implement on highways those measures which should have been implemented at the source. A typical example is the issue of transportation fee collection and the methods used by traffic police from public security departments to punish vehicles that violate regulations: The state stipulates that vehicles must regularly pay such transportation fees as road maintenance fees. However, because the transportation sector has become more complicated in the past two years, communications departments are forced to set up toll booths and highway-fee checkpoints in some places. Some communications departments have capitulated on this to wantonly set up checkpoints and stopping vehicles at will to arbitrarily collect fees and impose fines. In recent years, people have reported public security traffic police, who are responsible for checking regulation-violating vehicles on highways, for disrupting the regular traffic flow by wantonly stopping vehicles and imposing fines on them—Unregulated and law-violating acts in management, and the resulting "three wanton practices," will occur once we concentrate the implementation of all essential transportation and vehicle control measures on highways.

Some equivocal passages in our country's laws and statutes also provide perpetrators with the opportunity to promote "three wanton practices" on highways. For example, the "Mineral Resources Law," the "Fauna and Flora Quarantine Law," the "Law on Wildlife Protection," and the "Regulations on Salt Industry Management" all stipulate that relevant departments may set up checkpoints, prompting local departments of geology and mineral resources, public health, industry and commerce, and tobacco monopolies to expand their rights of inspection onto highways without authorization by setting up highway checkpoints. These departments have violated a State Council "circular" prohibiting the three wanton practices, which stipulates that only public security, communications, and forestry departments are permitted to set up highway checkpoints. Regarding this issue, the person from the State Council Office for Checking Unhealthy Tendencies in Business Activities pointed out explicitly: Relevant departments which are actually required to perform specific inspection duty should entrust the three authorized departments with their tasks, and should not extend their rights without authorization or authorize others to set up illegal highway checkpoints.

For a long time, all of the levels of government in our country have not had unified departments and organs responsible for dealing with and investigating the "three wanton practices" on highways. They have often entrusted their tasks to communications, public security, and other departments which are themselves the primary cause of the "three wanton practices" on highways, and are of course unable to live up to our expectations when dealing with such issues. Recently, the Ministry of Public Security and the Ministry of Communications jointly suggested to the State Council that it should take the lead to set up a specialized national organ to investigate and deal with the "three wanton practices" along highways within a stipulated period.

In these days when the market economy has developed further, many factors could give rise to the "three wanton practices" along highways, which have reoccurred despite repeated efforts to prohibit them. We need a unified legal system to eventually constrict and eliminate these negative factors, and that is why people have urged that we promulgate the "Law on Highways" soon.

Telecommunications Budget To Increase

OW1301092895 Beijing XINHUA in English 0736
GMT 13 Jan 95

[FBIS Transcribed Text] Beijing, January 13 (XINHUA)—China will inject 80 billion yuan (about 9.4 billion U.S. dollars) into the infrastructure construction of posts and telecommunications this year, said Wu Jichuan, minister of posts and telecommunications.

Wu told a national work conference here yesterday that the country poured about 68.3 billion yuan into the industry last year, up 28 billion yuan from the 1993 figure.

Last year saw seven trans-province optical cables and 14 satellite ground station go into operation, and the capacity of long-distance automatic switching expand to 2.2 million channels, 994,000 channels more than in 1993. Meanwhile, the number of trunk telephone lines reached 687,000 in 1994, an increase of 267,000 lines over the previous year.

By the end of last year, the capacity of the country's telephone network had surpassed 61.62 million lines, thanks to the addition of 18.9 million lines.

Moreover, the country boasts a public packet switching system with 60,000 terminals, as well as a public data network with over 3,300 terminals.

Attributing the rapid development of the postal service to its upgrading of facilities, Wu said that the country has opened six trans-province high-speed postal routes in dozens of provinces.

At present, 15 cities have a total of 25 automatic mail-sorting systems.

The minister said that this year the country will fix its focus on the construction of long-distance cables, especially optical ones.

The capacity of the telephone switching system is expected to be enhanced by 14 million lines this year, as well as by some 300,000 trunk telephones, and 18 more postal routes will be available by the end of this year.

Furthermore, Wu said, China will quicken the development of digital microwave systems, satellite telecommunications and long-distance exchange systems.

The country will raise funds abroad to ensure the completion of those infrastructure projects, according to the minister.

He disclosed that foreign capital will occupy a 10 percent to 18 percent share among the investment in the fixed assets of the posts and telecommunications industry.

Statistics show that the industry has used overseas funds totaling six billion U.S. dollars over the past 15 years.

'Massive Development' of Post, Telecom

*HK1301084295 Beijing CHINA DAILY in English
13 Jan 95 p 2*

[By Xie Liangjun: "Telecom Investment To Increase This Year"]

[FBIS Transcribed Text] China has announced a massive development plan for the postal and telecommunications industry this year.

Under the plan, the country will invest 80 billion yuan (\$9.4 billion) in fixed assets in the postal and telecommunications sector, 11.7 billion yuan (\$1.38 billion) more than last year, a spokesman for the Ministry of Posts and Telecommunications said yesterday.

Some 14 million new lines will be added this year to the telephone exchanges, which had grown to 61.62 million lines by the end of last year.

The country will have an average of 4.2 telephones for every 100 people by the end of this year, compared with 3.2 by the end of last year, the spokesman told a news conference in Beijing.

In cities, average phone coverage will rise to 17 percent from the current 13 percent. The rate is already more than 25 percent in Beijing, Haikou, Hangzhou, Guangzhou, Fuzhou, Shenzhen, Xiamen, and Suzhou.

The total business volume of posts and telecommunications is forecast to reach 96 billion yuan (\$11.3 billion) in 1995, a 38.5 percent rise over 1994.

The optimistic estimates are based on last year's encouraging growth in the sector, he said.

China's public telecommunications network expanded at a record pace in 1994.

The sector's total business volume hit 69.3 billion yuan (\$8.2 billion), compared with 46 billion yuan (\$5.4 billion) in 1993.

That represents a hefty annual growth of 50.2 percent.

In 1994, China completed construction of seven major fibreoptic cables—Beijing-Shenyang-Harbin, Xian-Lanzhou-Urumqi, Xian-Chengdu, Nanning-Kunming, Zhengzhou-Xuzhou, Zhengzhou-Xian, and Changsha-Nanning. And 14 satellite ground stations were built or upgraded.

This has greatly expanded the country's long-distance telephone exchange capacity, making long-distance calling easier in northeast China, northwest China, and southwest China in particular.

Last year, the total public telephone exchange capacity increased to 18.94 million lines. In 1993, 12 million new lines were added to the country's telephone network.

By the end of 1994, the telephone exchange capacities of 18 provinces and municipalities—including Guangdong, Jiangsu, Zhejiang, Beijing, and Shanghai—had reached more than 1 million lines each.

The number of new telephone subscribers reached 10.83 million, including 930,000 mobile phone users. Of the total, 7.93 million were residential subscribers.

China now has 39 million telephone subscribers, including 1.57 million mobile telephone owners.

The country's telephone network has become one of the world's most advanced, with 97 percent of urban telephone networks digital and programme-controlled, the spokesman said.

Electricity Costs Frozen To Avert 'Potential Chaos'

*HK1301074095 Hong Kong HONGKONG STANDARD
in English 13 Jan 95 p 8*

[By Sherman Chen]

[FBIS Transcribed Text] Fearing potential chaos and a further rise in inflation China has decided to freeze this year's scheduled liberalisation of electricity prices. However, senior economic planners agree that low electricity prices have seriously stunted the development of the power industry.

"The central government will neither raise the electricity prices this year nor take a step to reform the existing price system," a senior Ministry of Power Industry official told The Hong Kong Standard. Officials fear that higher electricity prices will stoke the double-digit inflation rate and threaten social stability. "And any raise in electricity prices will no doubt fuel the general price hikes, resulting in chaos to the society," said the official, who asked not to be named.

Last year, China witnessed a record 24.2 per cent inflation rate, the highest since the Communist Party takeover in 1949. High inflation has slowed Beijing's efforts to further reform its economy.

In a bid to curb inflation, the central government has ordered regional authorities to freeze all price readjustments in 1995. The soaring prices for grain and other food staples have deeply worried the leadership, which is struggling to ensure a smooth transition of power. Inflation was one of the major factors that triggered the nationwide protest in the spring of 1989.

"To raise electricity prices is a very complicated problem," the ministry official said. "It is not so easy as lifting control over ordinary commodities." He said electricity prices varied in different areas and different industrial sectors. "But it is a fact that the existing electricity prices are too low to encourage further development of the industry."

Beijing's economists have pointed out that the low prices are not even enough to cover production costs. After Beijing lifted central control over pricing, both production costs and prices of manufactured goods have soared, boosting the cost of electricity. However, electricity prices have basically remained unchanged for nearly 20 years. As a result, electricity producers have been operating on very low margins, discouraging the sector's growth and leading to power outages.

In the urban areas, factories have been forced to cut production due to lack of electricity. In the rural areas farmers have had to wait for electricity to pump water into their drought-stricken farms.

Low power rates have also dampened economic growth in the western part of the mainland which, ironically, has an abundant supply of water to generate electricity.

"The fast development in the eastern coastal areas mainly depends on the cheap prices of energy products turned out in the western regions, especially the electricity," said a senior official of western Qinghai Province.

The low power rates have also discouraged investors, especially foreign capitalists. An economist with the Development and Research Centre of the State Council, a major think-tank of the country's cabinet, said that the poor economic returns from power plants "have thrown cold water on foreign investors."

Minister of Power Industry Shi Dazhen had earlier said that all foreign-funded power projects should be approved by the central government.

***Planning Vice Minister Views Inflation Causes, Cures**

95CE0159A Beijing JIAGE LILUN YU SHIJIAN
[PRICE: THEORY AND PRACTICE] in Chinese No
20, 20 Oct 94 pp 5-11

[Article by Luo Zhiling (5012 2784 7881): "We Need To Sum Up Our Experiences and Get a Clear Understanding of the Situation To Focus Our Energies on Fighting Inflation"]

[FBIS Translated Text]I. On Price Work in 1994

In 1994, focusing on the whole CCP's overall work order of "seizing the opportunity to intensify reform, expand opening, and speed up development, while maintaining stability," the pricing sector at all levels is emphasizing strict control of the too rapid growth of overall prices as its key price work mission, in an effort to create a good social and economic climate for reform, opening, and economic development. The pricing sector at all levels is conscientiously implementing all Central Committee and State Council policy steps, actively pushing forward with price reform, tightening price management, launching a nationwide general price inspection, and beginning to curb the sharp price-rise momentum, achieving clear success in all items of work.

1. All price reform steps are being implemented smoothly

In the first half of 1994, in addition to completely changing State monopolized coal to market pricing and raising power prices to dispose of the interest and amortization charges of state-invested power plants, the state put even more emphasis on raising the prices of crude oil, natural gas, refined oil, and State-monopolized chemical fertilizer, as well as sharply raising the buying and selling prices of grain. While crude oil factory prices are up about 60 percent and grain prices 40 percent, making this price adjustment unprecedented in both scale and dynamic, we have carried out this reform smoothly, with refined oil market prices generally down somewhat and grain sales quite steady, with no sharp chain reaction of price rises. The adjustment of these product prices has had a crucial impact in improving the too low prices of our basic industrial goods, speeding up growth of the power industry, and stimulating peasant production initiative.

2. Our price formation mechanism is further improved

In line with our needs in building our new socialist market economy system, we have "merged" the planned and beyond-plan prices of certain crucial capital goods. We have eliminated our various planned and beyond-plan crude prices, merging them into two price grades centrally set by the State, as well as "merging" our planned and beyond-plan refined oil and chemical fertilizer prices, with refined oil completely State priced, and the State setting neutral standard factory prices and the range of fluctuation for chemical fertilizer. And we have tightened our regulation, control, and guidance of crucial capital goods whose prices were already market formed. We have coordinated our power-coal prices, appropriately raising the prices of power coal and washed and picked coal, and setting neutral standard prices and an upper and lower range of fluctuation for major rolled steel varieties. These reforms were on market economy terms, with the state carrying out valuable explorations in regulating, controlling, and guiding prices, to speed up the conversion and improvement of our price formation mechanism on socialist market economy terms.

3. Our price management has been tightened

In 1994, we have clearly tightened our price management. To tighten price management on market economy terms, the State Council has issued a circular on tightening the oversight and examination of basic daily necessity and service prices; with State Council approval, the State Planning Commission [SPC] has issued provisions on clearly marking commodity prices; in light of the new situation since we merged our exchange rates, with State Council approval, the SPC has promulgated "Interim Regulations on the Planned Management of Marked Prices Charged for Commodities Involving Foreigners"; in coordination with the concerned sectors, we have drawn up and applied grain risk fund management regulations; in coordination with tax reform, we have promptly dealt with objections to pricing problems that are clearly related to price reform, curbing the arbitrary raising and marking up of prices on price-reform pretexts. Places such as Shanghai have published the pertinent legislation against pricing fraud and the seeking of exorbitant profits, opposing in a big way fraud and exorbitant profits in fields closely affecting living standards, such as food and drink, and nonstaple foods, to protect the interests of the large numbers of consumers, which has won widespread public support and acclaim.

4. Our general price inspection has achieved phased success

Based on centralized State Council planning, from the beginning of March through July, we transferred 72,000 personnel nationwide to form 18,000 inspection groups, which launched a nationwide general price inspection. The SPC acted jointly with the pertinent sectors to form six work groups, which oversaw the inspection in 29 provinces (regions, municipalities). Incomplete data up to the end of June show that we uncovered 236,000 cases of illegal pricing nationally, 187,000 of which we have dealt with, as well as exposing 754 million yuan in illegal income, on which we have imposed 317 million yuan in economic sanctions. Through this general price inspection, we have raised the awareness of cadres at all levels and the public about the need for prices to be regulated, controlled, and managed on market economy terms, promoting the implementation of all price regulation and control steps drawn up by the state, coordinating the smooth implementation of grain-price reform with other crucial reform steps, and uncovering and dealing with a large number of illegal pricing cases, which has somewhat curbed the momentum of arbitrary price rises and charges.

5. Our market price monitoring is more systematic

The pricing sector at all levels has made price monitoring a key basic task of the pricing system, setting up a quite sensitive top-down information feedback system. In market price monitoring, we have emphasized the monitoring of daily necessity and key capital goods prices, tightening our monitoring, analysis, and information

feedback before and after significant price reforms took effect. In late 1993 and early 1994, in coordination with our curbing of grain prices, all areas promptly reported market grain price trends; in April and May, in coordination with oil price reform, we set up a monitoring system for refined oil market prices; in June, in coordination with grain price reform, we established a system to monitor the prices of grain and nonstaple foods. All areas report that the SPC has provided prompt collation reports to the State Council and feedback to all places, supplying key reference grounds for the State Council leadership and government at all levels to promptly grasp market trends and make scientific decisions.

In short, in the first half of 1994, we have made amazing achievements in areas such as curbing inflation, pushing forward with price reform, tightening price management, improving our pricing mechanism, and exploring new price work paths, which have won repeated approval by leading State Council comrades. Particularly in light of our high inflation, we have not only quite successfully curbed the excessive price-rise momentum, but also taken all price reform steps smoothly, without touching off large-scale panic-buying or a chain reaction, to preserve social stability. This point needs fully confirmed.

A review of our work for the past six-plus months shows much experience that merits conscientious summing up, which can be done mainly in the following areas:

1. The great attention and correct leadership of the Central Committee and State Council were the key guarantees for effectively curbing sharp price rises. In early 1994, the Central Committee and State Council leadership clearly demanded that leadership at all levels pay great attention to the task of curbing inflation, making it a key link and primary mission to be emphasized in dealing well with the relations of reform and development to stability, as well as repeatedly emphasizing the need to tighten price management on socialist market economy terms. The State Council took a series of steps to stabilize market prices. All price reform steps were also taken with the direct leadership and particular guidance of the State Council. The great attention paid by the Central Committee and State Council were the key guarantees of our smooth price work in the first half, as well as its marked successes.

2. The close combination of price work with macroeconomic regulation and control was the key prerequisite for controlling inflation. After our organizational reform of 1993, price work became a key component of SPC work, with the SPC raising the level of price work on one hand, while better combining price work with macroeconomic regulation and control on the other, and always making curbing of inflation a key objective of its overall macroeconomic management, regulation, and control. The state's tighter macroeconomic regulation and control effectively curbed the momentum of economic overheating and fixed asset investment expansion, starting to

improve our macroeconomic climate. In contrast to the first half of 1993, our 1994 first-half GDP growth was down 2.5 points, with our GVIO [gross value of industrial output] growth at the township level and above down 6 points, our fixed asset investment down 33 points, and our capital goods price rises for the first 5 months down 3.7 percent from 1993's 37 percent. Our whole national economy is continuing to develop toward our macroeconomic regulation and control objectives. This is the basic reason curbed in the first half of 1994.

3. The coordination of price reform with circulation-system reform was the key reason price reform achieved its anticipated results. All of the crucial price reforms that we carried out in the first half of 1994 were coordinated with circulation reform. While raising crude and refined oil prices, we also reformed our crude and refined oil circulation system; while raising grain buying and selling prices, we also reformed our grain purchase and sale system; this time, we also reformed our circulation system for agricultural capital goods, such as chemical fertilizer. These circulation reforms rectified our operating channels and standardized our circulation order, which was a key external condition for successful price reform.

4. The outstanding and successful work done by the pricing sector at all levels was the key grounds for curbing price rises and carrying out price reform smoothly. The comrades in the pricing sector at all levels, while faced with organizational reform and a very grim price situation, stood fast at their posts, performing their duties scrupulously with a spirit of high responsibility to the cause of the CCP and the people, overcoming all difficulties and performing all tasks conscientiously. Everyone conscientiously implemented all Central Committee and State Council price-control steps, earnestly studying and meticulously designing price reform plans, and then implementing them carefully. In the course of large-scale price adjustments of goods, such as crude oil and grain, we firmly prevented a chain reaction without touching off any large social repercussions. In the new circumstances of building our new socialist market economy system, we took positive initiative in all explorations, creating much new and fresh experience for price management on socialist market economy terms. Practice has proved that our pricing ranks are ones with a high degree of responsibility toward the public cause, outstanding quality, and fighting spirit. With such ranks, we will be able to overcome all difficulties on the road ahead, satisfactorily completing all missions assigned us by the CCP and the people.

In short, the substance of our price work in the first half of 1994 was exceptionally abundant, providing much experience worthy of conscientious review and summing up. We made many successful explorations and attempts in our price formation mechanism and regulation and control system on new socialist market economy terms, starting gradually to take a new price management path

suited to socialist market economy principles and China's national conditions. Of course, we are still in an exploratory stage, with our work still far from meeting the demands of the CCP and the people, our current price situation still quite grim, and many problems on the road ahead in need of study and solution. But we believe that with the correct leadership of the Central Committee and State Council, as well as the joint efforts of the pricing sector at all levels, we will certainly be able to do a better job of future price work.

II. On the Present State of Our Economy

The present state of our economy can be summed up in the two phrases: The general state of our economy is good, while our glaring problem remains inflation.

In 1994, in line with the spirit of the 14th CPC Congress and the Third Plenary Session of the 14th CPC Central Committee, and to meet the needs of speeding up building of a new socialist market economy system, the state has taken a number of crucial reform steps in areas such as finance, banking, foreign exchange and foreign trade, investment, pricing, the circulation system, and setting up a modern business system, achieving initial successes. Our revenues are clearly up, with our national foreign exchange balance up sharply, the exchange rate of the renminbi to the U.S. dollar up but stable, the oil circulation system and price reforms proceeding smoothly, refined oil market prices generally back down somewhat, and the grain circulation system and price reforms proceeding smoothly, without any sharp market volatility.

As our tighter macroeconomic regulation and control has steadily succeeded and all crucial reforms in 1994 have proceeded smoothly, our overall balance between supply and demand has gradually improved. While our rising inflation rate has been controlled, our overall national economy has continued to maintain a good growth momentum. In the first half of 1994, our GDP was up 11.6 percent from the first half of 1993, with our GVIO at the township level and above up 18.8 percent; in July, our industry at the township level and above achieved an added value of 132 billion yuan, up 15 percent from July 1993 at comparable prices, with our power and key industrial raw materials both growing to varying degrees. Our summer harvest was quite good, with our acreage sown to cotton beginning to recover, and the long-term trend better. Our peasant cash income was up sharply. Our excessive fixed asset investment growth momentum was effectively curbed, with our real estate and development zone fevers continuing to cool down. Our capital goods prices were relatively stable, up only 0.1 percent for the first 7 months over the same period in 1993, including a drop of 8.4 percent in July over July 1993.

In short, while China's first-half macroeconomic situation was good, we need to soberly note that the glaring problem in our current economic activities remains inflation, with our price situation remaining quite grim.

1. Our price rises are still too high. In contrast to the same period in 1993, our overall retail prices for the first 7 months were up nationally an average of 20 percent, with overall consumer prices up 22.4 percent. In August, the consumer price index for 35 large and medium cities reached 27.1 percent. This price volatility involves many new features meriting sharp attention:

A. Our overall price rises remain high. On the heels of excessive overall price rises in 1993, our overall retail prices for January and February 1994 were up respectively 18.8 percent and 20.9 percent from the same months in 1993. But after March, as we took steps to control our fixed asset investment and consumption fund growth, tighten price oversight, and import more commodities that were in short supply, our price rises were back down somewhat, for March, April and May, at 20.2 percent, 19.5 percent, and 18.9 percent, respectively. Then in June, due to the impact of grain price reform, they were back up again to 20 percent, up further again for July to 21.4 percent. While our sharp price rise momentum was curbed somewhat after March, our price rises remained too high, rebounding quite sharply in July and August.

B. Our food, service, and agricultural capital goods price rises are too sharp. Our food prices rose more than those for any other commodities, with food prices up an average of 29.2 percent for the first 6 months. Of our retail price rises, nearly three-quarters were due to the impact of food price rises. Our service prices were up 26.6 percent, with agricultural capital goods prices up were 18.4 percent.

C. New price-rise momentum is continuing. For the first six months of 1994, while our new price rises were curbed after March, our monthly link-relative price index still rose at an average rate of about 1 point a month. By June, in contrast to December 1993, new price rises had accumulated to reach 11.3 percent, to make up more than half of our June price rises over June 1993.

2. Second-half 1994 inflationary pressures are sharp. Since July 1993, our price rises have for 12 consecutive months exceeded our economic growth and bank lending interest rates, growing ever less sustainable by all parties. Our 1994 second-half inflationary pressures remain quite sharp, with the danger of more sharp price increases still existing. This is due mainly to: 1) Overall demand remains too high. By the end of June, our overall capital construction and technical upgrading scale was up another 42.1 percent on the heels of excessive growth in 1993. Our consumption fund expansion and runaway State construction is still growing. 2) After successive years of sharp price adjustments for basic products, cost-rise pressures have not yet been completely released. 3) All sectors and regions are calling loudly for price adjustments, bringing great pressure. To deal with enterprise losses, raise profit returns for utilized foreign investment, resolve construction funding

sources, lighten fiscal burdens, and solve social problems in other areas, conflicts in all areas are demanding resolution through higher prices. 4) Our conflict of imbalanced supply and demand for staple farm products, such as grain, cotton, edible oil, sugar, and pork, still cannot be eased very quickly, as the chain reaction of grain price adjustments on nonstaple food price rises is still continuing. We need to fully realize that while our current price rise momentum has been initially curbed, we absolutely cannot overestimate this. With even a little lack of care, we are still likely to see another round of sharp price rises and further sharpening of inflation.

3. The present capacity to endure of price rises by all parties is quite weak. We have experienced successive years of fiscal deficits, with our necessary fiscal spending in 1994 being maintained through the sale of 102 billion yuan in bonds. As industrial enterprises have seen their capital profit rate drop from 16.5 percent in the initial reform period to 2.6 percent by 1993, they are essentially unable to endure new price rises. Nationally, more than one-third of enterprises are sustaining losses, with employee wages unable to be paid on time in quite a few regions. As sharp price rises are further exacerbating the livelihood difficulties of retirees, college and polytechnic school students, and unprofitable-enterprise employees, they create many factors for social instability. This means that prices must not continue to climb.

So we need to take a sober look at our present state of prices, realizing that the present overall state of our economy is good, as well as that inflation remains a current glaring problem, and noting that while our sharp price rise momentum has been initially curbed, price rises are still too high, leaving us still with quite a grim price situation. We need to correctly analyze and understand the situation, keeping cool heads at all times, and realize that it is better to overestimate slightly our existing problems and difficulties than to be blindly optimistic, ease controls, and carry out large-scale price adjustments that would touch off new price rises to further worsen our inflationary momentum.

III. Our Key Price-Work Tasks for the Second Half of 1994

The Central Committee and State Council have recently conscientiously analyzed the present state of our economy, determining that in the second half of 1994, we need to focus our efforts on controlling inflation. We need to make control of price rises our key macroeconomic regulation and control mission. This means that all regions and sectors need to reach a consensus on firmly implementing all anti-inflationary policy steps already set by the Central Committee and State Council, adhering to the principle of being subordinate to and serving overall national interests, and persisting in the effort to make all steps contribute to the anti-inflationary struggle.

1. We need to reach a consensus that genuinely controlling inflation is our key macroeconomic regulation and control mission

All regions and sectors need to fully understand the severity of our current price situation, and not to treat it lightly because our inflationary momentum was initially curbed in the first half. We need to clear up two misunderstandings: 1) High prices, high wages, and high consumption. We are still a developing country, with our nation being a uniform large market, in which economic development is very uneven among all regions. While higher prices may be endurable in certain rapidly growing economic regions, with fiscal subsidies to employees also sustainable, they are hardly so in regions that are relatively backward economically. In many inland provinces and regions at present, as it is quite difficult to even pay employee wages, how can high prices be endured? And even in rapidly growing economic regions, there are still sizeable numbers of enterprises and employees facing difficulties. Price rises, particularly for basic necessities, must be borne by all. When analyzing individual endurance, we cannot look only at averages; to preserve social stability, we need to pay particular attention to the low-income individuals and enterprise employees who are experiencing livelihood difficulties. While a key Chinese advantage in attracting foreign investment is our relatively low price of labor, this advantage is being steadily lost in certain coastal zones due to rising wages. 2) Another misunderstanding is that whoever controls inflation loses. All countries throughout the world make controlling inflation a key macroeconomic regulation and control target, as inflation is not merely an economic problem, but also a political one affecting the votes won by all political parties. As our consumer price rises have now topped 20 percent, if we still considered price control a losing proposition, watching prices rise without taking any actions, and remaining indifferent, that would be extremely irresponsible to the public. So the people's governments at all levels and all concerned sectors need to conscientiously implement all anti-inflationary steps set forth by the Central Committee and State Council, genuinely putting anti-inflationary steps on their agendas as their key economic work mission to be emphasized closely, well, and realistically to achieve real success.

2. We need to strengthen our resolve and focus our efforts on fighting inflation

While taking note of our present grim state of prices, we also need to realize that many conditions also exist that are favorable to controlling excessive overall price rises. 1) The Central Committee and State Council are paying sharp attention to the matter, with the whole CCP and nation working together to fight inflation in the second half of 1994. 2) We have already achieved initial success in curbing overall public demand. Our fixed asset investment scale, economic growth rate, and consumption fund growth have all been controlled to a certain extent. And our currency issue is predicted to be controllable within plans. We have overfulfilled our national treasury bond issue mission, which will also help to lighten market demand pressure. 3) Our ability to regulate market supply and demand is up somewhat. Our higher foreign exchange balance is making it possible for us to

organize imports of commodities that are in short supply in line with domestic needs, balancing our domestic market supply and demand conflict. 4) Controlling price rises accords with the will of the people and has public support. While prices are now rising sharply, this has not caused large-scale panic buying, with individual deposits up, public morale stable, and public confidence in the CCP and government and in our ability to control inflation and price rises. This is our greatest advantage, as well as the key grounds for our doing a good job. So we need to take note of our grim price situation, not treating it lightly, while also realizing that there are favorable terms for fully stimulating the initiative of all parties, bringing our political advantages into full play in a concentrated struggle against inflation.

The State Council has decided that in the second half of 1994, our key national economic macroeconomic regulation and control mission is to control price rises. We will continue to strictly control our fixed asset investment scale by tightly controlling new project starts; we will tighten control of consumption funds to firmly prevent excessive consumption fund growth; we will vigorously reinforce agriculture by continuing to emphasize the "food basket" project, actively organizing key commodity imports, and sharply intensifying commodity allocation and transport to balance domestic market supply and demand; we will continue to tightly control our credit scope to preserve financial stability. The State Council has also decided that starting in the fourth quarter, every month it will publish in RENMIN RIBAO monthly price indexes for 30-some cities and all provinces, autonomous regions, and municipalities, tightening media oversight, and urging party committees and people's governments in all areas to do good anti-inflation work. These steps will create a good social and economic environment in which for us to control price rises.

3. We need to emphasize implementation, pragmatically implementing all anti-inflation steps

Controlling the degree of overall price rises and fighting inflation are the key missions of the whole CCP and people's governments at all levels, even more so a key responsibility of the pricing sector. In the last half of 1994, the pricing sector at all levels will make fighting inflation its central price-work mission, with all work contributing to the anti-inflationary struggle, and all studies and plans focused on anti-inflation. With the leadership of people's governments at all levels, we will firmly implement all Central Committee and State Council macroeconomic regulation and control steps, serving as good advisors and assistants to party committees and governments. The pricing sector will emphasize the following tasks:

1. In the second half, we will take absolutely no new price-adjustment steps. The State Council has decided that the second half will see no new price-adjustment projects. People's governments at all levels will proceed

from the overall situation of fighting inflation, firmly implementing State Council decisions, and taking absolutely no new price-adjustment steps in the second half. Industries that are definitely in trouble will be granted temporary subsidies out of local revenues. People's governments at all levels may not collect on any pretext more construction funds for projects, such as power plants and railways, with unauthorized existing collections stopped immediately. We will absolutely not put take any policy steps that might drive price rises. Pricing sectors at all levels will act conscientiously and responsibly, earnestly tackle key problems, and perform its proper role.

2. We will conscientiously tighten oversight and examination of daily necessity and service prices. Since the State Council issued its "Circular on Tightening Oversight and Examination of Daily Necessity and Service Prices" in March 1994, 26 provinces (regions, municipalities) have drawn up specific implementation regulations. But most of these are still stuck in the document stage, not yet having been genuinely implemented in real work. So all areas need to make implementation of oversight and examination regulations important anti-inflationary work to be emphasized in the last half of 1994. We will study ways to publish lists of production and operating enterprises to be overseen and examined; strict enforce all oversight and examination regulations, such as price-rise declarations; report for the record; monitor, draw up, and publicly report import-sales differences for key commodities, particularly key nonstaple foods; and tighten management, regulation, and control of the retail prices of daily necessities. Enterprises and individuals that violate oversight and examination regulations will be severely investigated and punished. Through implementing oversight and examination regulations, we will stabilize basic daily necessity and service prices, bringing genuine results to the public, and clearly bringing our price index escalation back down.

3. We will do everything possible to stabilize food and service prices. Higher food prices was the major cause of the current sharp price rises. So stabilizing food prices is of primary importance in curbing inflation and stabilizing public livelihoods. We will tightly control the chain reaction to grain price reform. As to processed grain and foods in which grain is the key raw material that are directly affected by grain price rises, in cases where real problems necessitate adjustment of prices, it is only permitted to raise price differences between raw materials and grain, with price changes for key varieties having to be declared or reported for the record in advance to the local pricing sector; all feed, meat, poultry, egg, produce, and other staple and nonstaple foods, related products, and civilian fuel prices that are indirectly affected by grain price rises will be stabilized at existing market prices; no other nongrain-related commodities will be allowed to exploit the price rises. We will emphasize hog and fall produce production, intensify allocation and transport, prohibit hoarding, and crack down on profiteering, to conscientiously plan

market supplies. We will tighten control of all service charges. No administrative charge standards may be raised in the second half of this year. We will firmly stop arbitrary charges in all areas such as railways, education, health care, posts and telecommunications, and rural power. We will tighten control of education charges, including college and polytechnic education charges in price oversight and examinations.

4. We will conscientiously stabilize agricultural capital goods prices. We will earnestly implement the spirit of the State Council conference on reform of our agricultural capital goods circulation system, emphasizing all agricultural capital goods circulation reform tasks. We will coordinate our actions with local realities, studying how to implement management regulations on chemical fertilizer prices. We will tighten our control of pesticide and agricultural plastic film prices. Through reforming our agricultural capital goods circulation system, we will reduce the excessive retail prices of chemical fertilizer. Within one month, retail urea prices exceeding 1,400 yuan a ton will be brought under 1,400 yuan a ton; prices under 1,400 yuan a ton will also be reduced to reasonable levels in line with demands, so that peasants see genuine benefits.

5. We will firmly crack down on monopoly-type price rises, exorbitant profits, and pricing fraud. Monopoly-type product and service prices need to be brought under control by the pricing sector at all levels. We will absolutely not allow any enterprise or industry to exploit their monopoly standing to raise prices arbitrarily. In the last half of 1994, prices in all monopoly-type industries, whether state-set or market-priced, will all be stabilized at their current prices, with no rises allowed. As clearly marked prices are a key anti-price-fraud tool, all areas will persevere resolutely in genuinely forming the institution and habit in all enterprises and charge units. Violations of marked-price regulations and fraudulent consumer actions will be firmly cracked down on.

6. We will continue to do a good job of our general price inspections. As our nationwide general price inspection has achieved phased results, starting in August it will focus on the anti-inflationary struggle and be converted to permanent inspection. Once this nationwide general price inspection is over, areas that have not yet completed their originally planned price inspection of priority items, such as grain, cotton, chemical fertilizer, rural power supplies, refined oil, and rolled steel, will continue to emphasize them closely, with no hasty endings; areas that have essentially completed their price inspections of priority items can work in line with local realities to launch inspections of other key commodity and service prices, emphasizing regular price oversight and inspection work. We now need to emphasize inspection of enforcement of all Central Committee and State Council anti-inflationary steps; to give priority to inspecting prices of basic daily necessities, services, and agricultural capital goods; to investigate and punish violations of oversight and examination regulations and

arbitrary price rises and markups; and, in areas such as education, health care, power supplies, railways, and posts and telecommunications, to investigate and punish all illegal arbitrary charges, such as exploiting monopoly status to block, take, extort, or demand particularly arbitrary charges, such as mandated "donations" by the educational system that exploit schooling opportunities for grade and high school students.

7. We will accelerate our price legislation work, firmly controlling prices in accordance with the law. As a socialist market economy is a legal one, our price management needs to be gradually put onto a legal track. In 1994, the SPC has drawn up price oversight and examination regulations and clearly marked price provisions, which were published separately by the State Council and the SPC. Some "Interim Regulations on Curbing Exorbitant Profits" are also likely to be published and implemented soon. Meanwhile, the drafting of a "Pricing Law" is being intensified. All areas are also acting in line with local realities to publish a group of price management regulations in areas such as anti-exorbitant profits, anti-pricing fraud, and tighter charge controls. All areas need to join the anti-inflation struggle, continuing to reinforce their pricing legislation, by drawing up as quickly as possible a group of regulations suited to market economy needs.

*Article Sees Three Gradual Stages of Economic Reform

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[Article by Tian Guoqiang (3944 0948 1730) of the Department of Economics, Texas A&M University, U.S.: "Reforming State Enterprises, Transforming the Economic System—Three Stages of Economic Reform"]

[FBIS Translated Text] I. Introduction

Chinese economic reform is now in a key transitional period as it approaches the market. On the one hand, there have been huge achievements in the Chinese economic reforms begun in 1979, and the changes it has brought have attracted the world's attention. These 15 years of reform have brought rapid economic growth and considerable improvement in the people's standard of living. The achievements in transition of the economic system have also attracted attention. Such reform measures as permitting a certain degree of economic freedom, admitting individual interests, conducting decentralized decisionmaking (releasing rights), adopting various kinds of incentive systems, letting various kinds of ownership exist and compete, etc., have led to vigorous development of non-State-owned enterprises (including collective and private ownership, foreign capital, and joint venture enterprises), and have brought about great changes in the economic mix. There has been a dramatic decline in the State-owned economy's share of the overall GDP, and the non-State-owned economy has become a major propellant

force in the Chinese economy. In 1992, the total investment in the non-State-owned economy constituted 25 percent of the total amount of investment nationally; however, its contribution to the Chinese economy was no more than 69 percent. In addition, China has made considerable progress in adopting the market system and carrying out marketization economic reform. At present, most commodity prices are determined by the market. The foundation and accumulated experiences of the marketization reform and localities operating State-owned enterprises will also accelerate transition to the market system. The 14th CPC Congress decided to raise the market economy in China, and this removed the ideological barriers to the market economy to a great degree. This all shows that no matter whether one looks at the achievements or the experiences of reform, China's transition to a market economic system has so far been successful.

But on the other hand, with deeper reform and acceleration of the transition process, the degree of difficulty and intensity of reform will also increase, presenting many deep-seated problems. Included in these will be many very serious problems which urgently need to be resolved; otherwise, they will impede or slow the Chinese economy's marketization process. Some of these problems existed prior to reform, but some appeared during the reform transition. These problems include: The market system is still in a very preliminary stage; prices to a great degree still do not reflect economic relationships accurately; macroscopic regulation and the control system have not been perfected; the modern enterprise system has not been established; the crises faced by State-owned enterprises are becoming increasingly serious; the government also faces a very serious financial deficit problem; many leaders are rigid in their thinking, and while they decided to propose the market economy, they are implementing it with the methods of the planned economy, and some are even resisting reforms approaching the market; people cannot bear the hardships of unemployment and inflation; the laws, provisions, rules, labor market, financial market, real estate market, property rights system, and social security and welfare systems are either incomplete or have not even been established yet. Many have engaged in unfair competition by exploiting the vacuums during the transitional stage between the old and new systems. By using the power they have on hand or connections, they have moved State public property or materials into their personal pockets, or have indulged in graft, seeking personal gain through their power. In addition, there have also appeared in the process of reform many problems of lack of coordination. (Zhao Lingyun [6392 0407 0061], 1994).

As the above problems cannot all be resolved at the same time, we must distinguish which problems are most basic, which are of the highest priority, which need to be worked out first of all, and which temporarily cannot be resolved. Although these problems are very important, they will have to be resolved in the next phase. We think

that when answering these problems and making judgments, we must consider many overall factors, for example, costs, risks, safety, time, and people's psychology and their practical ability to undertake reform. We must think about whether we can maintain lasting economic growth and continue improving the people's standard of living. At the same time, we also need to consider China's political and economic situation, historical traditions, cultural background, social mix, and the methods and results of the previous stages of reform, comprehensively and organically considering the whole process of economic reform. Looking at the whole transitional process, we believe that the methods and measures of transition of the economic system are the most fundamental strategic issue, and closely connected to it is the issue of how to achieve system transition. These relationships are connected to the smoothness and success of the transition process. Therefore, this article will attempt to discuss methods and steps for economic system transition and transition of State-owned enterprise ownership.

For purposes of discussion we will propose a three-stage theory for conversion of the Chinese economic system, which are the three stages for Chinese economic reform to achieve the successful transition to a market economic system. The basic measures to be taken in the three stages are: (1) Making the economic subject independent; (2) marketization; and (3) privatization. Under these three basic measures, the fundamental characteristics of system transition are: In the first stage, vigorously develop non-State-owned enterprises. This stage will let various kinds of ownership enterprises emerge and compete to lead the vigorous development of non-State-owned enterprises. It assures lasting development of the social economy, providing a material foundation for successful progress of the second stage of reform. It will raise the level of the people's support and their consciousness about participating in reform. In the second stage, continual competition for various ownership enterprises and the gradual involvement of the market system will mean that those State-owned enterprises which were inefficient both before and after reform will become extinct. In the third stage, we will propose a large scale localization of State-owned enterprises.

The first stage began in 1978 with the Third Plenum of the 11th CPC Central Committee and the economic reform which began in the rural areas in 1979. The second stage began in the last year or two, and can generally be counted from the decision of the 14th CCP Congress to propose the market economy. The third stage has not yet begun. We believe that now is not the time to begin it; we must wait until further changes have occurred in the economic layout and a social security system has generally been established. We estimate that it will probably take five to 10 years. In the following, we will discuss the steps that should be taken in these three stages, as well as analyze current national circumstances. A gradual approach to transition such as this might be the method which has the most promise of rapid economic growth and relative social stability. In order to

know demand and strategy of transition, we will first of all simply discuss the prerequisites for better operation of the economic system.

II. Four Prerequisites for Better Operation of the Economic System

The prerequisites of economic system transition are not entirely based on the two basic theories of welfare economics of standard microscopic economic theory, the major theoretical basis of advocating the market system (footnote 1), but in actuality are based on the unacceptably low rate of efficiency brought on by a command planned economy. However, what causes this sort of low efficiency? What are the most fundamental reasons for it? The answer is that the fundamental reason for this sort of low efficiency is that of the four prerequisites for an economic system to operate well—admitting that seeking personal profit is a human characteristic; giving people the right (the so-called loosening of ties) to freely choose their economy; carrying out decentralized policy making (which is called releasing rights in China); adopting a system of incentives—none of these have been satisfied. However, many problems which cannot be resolved under the command economy can be worked out quite well under the market system. This is mainly because the market system is based on these four prerequisites.

The first basic prerequisite for an economic system to operate well is to admit individual rights in making decisions—the right to seek personal profit. In market economics, when it is demonstrated that the competitive market economic system leads to perfect resource allocation, a most basic rights hypothesis is: Everybody seeks personal profit, and every person, every enterprise, will derive greatest profit under such restricting conditions as a given set of laws and stipulations, policies and rules, budget restrictions, and production and technology conditions and prices, etc. Admitting that humans characteristically seek personal profit is a realistic and responsible attitude in resolving human social problems. On the contrary, it could be a disaster if we take benefit to others as a prerequisite for resolving socio-economic problems, for example; the organizational problem in production, denying that it is characteristically human to seek personal profit, as was done before reform; thinking that people are all unselfish and work for the common good; and that people's enthusiasms can be spurred only by emphasizing the nation and the collective. "Self benefit" is the motivation for economic development and social progress. The "production contract system" in rural China just acknowledged individual peasant interests, namely, that peasant enthusiasm will be aroused only after there is recognition that it is a human characteristic to seek personal profit. Before implementation of the production contract system, lack of enthusiasm in peasants was due to the fear that others would share in the achievements of their labor or that they could share in work achievements without working themselves. After farmland was distributed among households, peasants came to realize they

were working for themselves, which greatly improved their enthusiasm for production.

The second basic prerequisite for an economic system to operate well is granting an individual basic rights—the freedom to make economic choices. This assumes they do not harm the interests of others, and lets everybody have more freedom of economic choice, which is what people refer to as removing fetters. For more than a decade, Chinese economic reformers have done many things, but the most important is: relaxing policies, which gives both producers and consumers more freedom of choice. For example, although the central government did not grant any preferential financial policies to the coastal areas, the looser economic policies and liberated thought of the leadership gave people more freedom in making economic choices; therefore, the coastal economy developed rapidly.

The third basic prerequisite for an economic system to operate well is decentralized policy making: Let the people concerned (enterprise department or individual) make production and consumption decisions, not upper level responsible departments; this is what people call "releasing rights" or "dividing rights". It is precisely because upper level responsible departments cannot possibly master all information that people hope for decentralized policy making. This is a sort of indirect control, promoting (stimulating) people through an incentive system to do the things which policy makers want done or to accomplish the goals that policy makers want to reach. Decentralized policy-making methods greatly reduce the costs of information processing and communication, so there can be more efficient use of economic information. The planned economic system chiefly uses the centralized policy-making method, while the market system chiefly uses the decentralized policy making method.

The fourth basic prerequisite for an economic system to operate well is: The economic system is compatible with incentives. A big problem in any economic system is how to incite people's enthusiasm, that is, how to promote people to work hard through some sort of system or regulation. If an economic system fails to provoke participant enthusiasm and suppresses creativity, producing group after group of lazy people, then this system will not exist forever. The market system successfully resolves the incentive problem, that is, how to arouse people's enthusiasm, by encouraging individuals who are subjectively working for themselves and letting them work for society objectively. The encouragement provided by the market system unifies individual personal benefits into mutual benefits among the people as a whole; this also is what economics calls compatible incentives. The ability to accomplish compatible incentives is closely related to whether an economic system survives or perishes.

III. The First Stage of Reform: Economic Self Determination and Vigorous Development of Non-State-Owned Enterprises

The first stage in the transition process is reform of the economic entity's behavioral self-determination. In the

past more than 10 years of economic reform, the transition process has generally been in the first stage. In this stage, reform planning and strategy have for the most part consisted of establishing and improving the most fundamental prerequisites and conditions for the economic system to operate well. Through this more than a decade of reform, the aforementioned four basic prerequisites for an economic system (especially the market economy) to operate well have been almost established or great progress has been made toward establishing them. This means that the established prerequisites of admitting the human characteristic of personal benefit (individual interest), freedom to make economic choices, decentralizing policy making and adopting a system of incentives can in no way be separated from the major achievements China has made. This stage of reform has brought about great fundamental changes in the Chinese people's concept of values, ways of thinking, and behavior, making them more reasonable. All are trying their best to make money through their talents and means (although there are those who are making money through unreasonable and illegal means). The fundamental change in this kind of value idea occurred in this stage. People have gradually come to realize that the characteristic of seeking personal benefit is an unavoidable reality. Through these years of reform, there has been considerable improvement in the freedom to make economic choices. In the countryside, farmers gained land-use rights (although they lack ownership rights), so in general they can make the decision to plan whatever kind of agriculture production they choose. In the cities, people may choose to stay on in State-owned enterprises, eating from the 'big iron pot', but they may also resign and go to work in non-State-owned enterprises, assuming the risk of being unemployed at any time. Through this past decade of economic reform, decentralization of policy making has brought about great progress in China. It has released rights, abolished all sorts of plans, and permitted individuals and enterprises to make policy in production and consumption. In addition, China has set up various incentive systems in many departments and trades, greatly stimulating people's enthusiasm for production. These are important reasons behind the rapid growth of the Chinese economy.

Rural reform initially started out from the aforementioned four basic premises. It was a kind of reform that acknowledged individual peasant interests, gave farmers the right to self-determination in production and heightened their enthusiasm for production.

Because of the great success of rural reform in this direction, this reform pattern was soon introduced into other trades and areas. Examples of this are such reform measures as allowing individual privately owned enterprise and the existence of other forms of ownership, providing more favorable treatment to foreign capital and joint-venture enterprises, giving people the right to make economic choices to a certain degree, giving enterprises certain rights to self-determination in production, less restrictive ties, dividing rights, partially extending

interest and contracting, etc. Adopting this sort of economic liberalization has resulted in non-State-owned enterprises developing vigorously. The non-State-owned economy has become a main force behind China's economic growth. The principal spur to economic growth in coastal provinces and cities where the economy is growing faster is the development of non-State-owned enterprise. This sort of indirect, voluntary, and unrecognized system transition is part of the process of developing non-State-owned enterprises, but it is not aimed directly at reforming State-owned enterprises; rather, it is a result of people having the freedom to operate enterprises. This avoids face-to-face conflicts with the State-owned economy at an early stage of reform. Through the process of letting various types of enterprise ownership compete, both the market system and the non-State-owned economy have developed, this has also provided a significant example and pushing effect for State-owned enterprises, and compared to the era before reform was implemented, there was a considerable improvement in the economic efficiency of State-owned enterprises. At present, the Chinese economic system is shifting to an economic system which combines plan and market, and in which the total production output from the non-State-owned system is more than half of the centrally planned economic system that is dominated by public ownership. The proportion of State-owned enterprise production output in the GDP fell from about 80 percent in 1978 to 44 percent in 1993. The reason that this sort of change occurred is not that State-owned enterprises have gone bankrupt or are selling at lower prices; instead, it has been due to the start-up of many new non-State-owned enterprises, especially township enterprises. The vigorous development of township enterprises has become an important factor in the rapid growth of the GDP, and has brought about this fundamental change in proportion between State-owned enterprise production output and that of non-State-owned enterprises.

IV. The Second Stage of Reform: Marketization and the Decline of Some State-Owned Enterprises

The second transitional stage is marketization reform. We are in this stage now. Its landmark was the 14th CCP Congress's official decision that China would institute a market economy. Two factors determined that the market economy reform would be instituted. On the one hand, China has made great progress in accepting the market system. As was discussed earlier, through more than a decade of reform, some basic premises for the market economy to run well have generally existed or improved greatly in China. People's ability to bear market risks has also been strengthened significantly. Due to the continuous adoption of the market system, there has also arisen an increasingly urgent desire to marketize the economic system completely. But on the other hand, in the current stage, there are also many problems and difficulties which must first be discussed and resolved. The majority of these problems are caused

by the incompleteness of the market system. Therefore, it is inevitable that we will continue market reform and improve the market system, and that we will find fundamental resolutions to these problems. A perfect modern market economic system consists of more than just relaxing prices, opening product markets, and giving people freedom. It also involves such reforms as market pricing, a macroscopic regulatory system, a modern system of enterprise law, a taxation (income distribution) system, a social security system, a legal system, an anti-monopoly (unfair competition) system, an open labor market, a financial market system, etc. There is still much work which need to be done toward developing and improving these systems. We believe that with the continual improvement of the market system, these problems will all be worked out, and the result will be that some enterprises will continue to decline. Why is this? It is because of the relatively low efficiency and losses of State-owned enterprises.

Because marketization reform has pushed State-owned enterprises into the markets, they have to compete with other forms of ownership. Although they are considerably improved compared to before reform, because of unclear property rights in State-owned enterprises, their heavy burdens, the inflexible system, and price restrictions dictated by policies or connected with policies, the efficiency of State-owned enterprises is not as high as that of non-State-owned enterprises in the same trade. Therefore, we have such phenomena as "big brothers (State-owned enterprises) are not as good as peasants (township enterprises); peasants are not as good as foreigners (foreign capital enterprises)".

What should we do in confronting the severe problems of State-owned enterprises? Should we adopt the most common method in modern market economy countries, that is, to immediately propose bankruptcy or privatization on a large scale? Could the bankruptcy of State-owned enterprises on a large scale become the key to Chinese economic reform? Does China have the basis of proposing bankruptcy on a large scale now? Our answer is no.

In a competitive market, poor operation, old production facilities, low product quality, bad luck, and other reasons will lead to part or all of an enterprise's workers losing their jobs. However, in a mature, modern market economic system, since it has a perfected social security and unemployment benefits system, worker livelihood is protected until they can find new jobs. Unemployment will not create social unrest. However, since China just began implementation of a market economy, the Chinese people's value concepts and methods of thinking have not adjust completely to market economy ways under present circumstances, for example, on unemployment and inflation.

The social security and unemployment benefits systems are incomplete or have not been established. Because State-owned enterprises have huge numbers of workers,

in the present stage, the State is incapable of undertaking a social security system with its huge accompanying expenses. Add to this the undeveloped labor market, and the problem of unemployed workers' livelihood cannot be resolved. Even if State-owned enterprises do not declare bankruptcy, China already has to work out a problem of around 12 million unemployed people. Among these, 5 million people are surplus workers who have been dismissed by State-owned enterprises and 7 million people who are waiting for jobs. If State-owned enterprises declare bankruptcy on a large scale, a huge number of unemployed workers will lose the security in their livelihoods, and this will threaten social stability as well as create unrest. Living difficulties and a drop in their social and economic status will cause workers to lose their psychological balance and yield an unsatisfactory attitude toward reform.

Therefore, comprehensive bankruptcy must be approached very cautiously. Reform needs a peaceful and stable environment. Before establishment of labor markets and a social security system, State-owned enterprises themselves fulfill a social security function in another form. They protect workers who are willing to remain in State-owned enterprises, or who lack ability or other choices. What needs to be done is to give greater freedom of choice to State-owned enterprise workers, for example, give them the freedom to re-select their jobs (leaving the factories). If workers in State-owned enterprises are willing to choose this sort of low paid but secure and easy job, then they can choose to remain in State-owned enterprises. If they are full of the risk-taking spirit, wish to have higher incomes and better opportunities, then they should be allowed to select non-State-owned enterprises or start their own businesses. A basic principle of economics is: High rewards or losses are always accompanied by great risk. In the present stage, it is better for the State-owned enterprises to dismiss workers on a large scale due to poor operation. In the process of system transition, we need people who have confidence in reform; this will reduce social unrest and avoid a situation in which a great number of workers become suspicious of or lose their objectivity toward the transition to a market economy because they have lost their jobs.

In fact, in the present stage, we should let those State-owned enterprises which cannot find their way out even after conducting reform just decline naturally, but not go bankrupt on a large or localized scale. Since the workers in State-owned enterprises basically all have the right to choose whether to stay or leave, more and more workers will not want to eat this sort of tasteless big pot meal. Workers in low efficiency State-owned enterprises are now receiving almost the lowest salaries in their industries, and this phenomenon became even more pronounced last year after the State turned salary adjustment over to work units. It will force more workers to

leave State-owned enterprises and seek other opportunities. And this will accelerate the decline of these State-owned enterprises. In addition, State-owned enterprises are suffering a severe outflow of assets, 100 million yuan each day on average.

How long should we wait before instituting comprehensive bankruptcy or privatization? We estimate that it should not happen within the next five to 10 years. This is because conditions are not ripe for comprehensive privatization of enterprises. For example, if large scale reform of State-owned enterprises is implemented as it was in the former Soviet Union and Eastern European countries, the production output of the State-owned enterprises will inevitably fall in the first few years, which will then lead to a drop in the GDP. Therefore, people's living standard will also fall which will create an attitude of rejection of reform among them. In addition, the incomes of State-owned enterprise workers will also fall, and many workers will lose their jobs. Because a social security system has not been established, unemployed workers will not have other choices, and this will affect social stability. Due to cultural tradition and social mix factors, the psychological ability of Chinese to bear this is not as great as that of Eastern Europeans. So it is premature to implement comprehensive privatization of enterprises.

V. The Third Stage of Reform: Privatization

The third transitional stage is privatization. As discussed earlier, we are not in this stage yet. But how will privatization be instituted when the time arrives? Before getting into privatization, we must do some good preparatory work. This is essential if we are to study and master such questions as how to handle joint-stock companies, privatization and bankruptcy, etc.

Influenced by the success of the rural contract system, the form of early reform in State-owned enterprises was largely also to adopt the contract system. However, it proved to be not very satisfying. We know that property rights include the right to own and use property. Clearly defined property rights must be able to stimulate enterprise enthusiasms and then encourage enterprises to produce as efficiently as possible. The rural production contract system separated land use rights and ownership rights. This sort of contractual system has been very successful. Observing the success of rural reform, during the early stage of ownership reform people tried to apply this sort of reform pattern, separating ownership and usage rights, to industry, commerce and other trades. They thought that doing it this way would both preserve State ownership of the enterprises' means of production and still stimulate people's enthusiasm for production. However, it turned out to be unsatisfactory. The reasons were complex. One important factor was connected with the nature of land. That is, land is almost inflexible (and its supply curve is almost vertical, so the supply of land does not change with changes in price), it does not depreciate, and its fertility deteriorates very slowly. This enables

people to separate usage and ownership rights. (For example, land in Hong Kong is owned by the Hong Kong government, and people lease land from the government. Although they do not have ownership rights, people have rights of usage, income generation, and transfer.) In the case of assets which can depreciate or depreciate rapidly, for example, machines and facilities, users without ownership rights have no motivation to take care of these assets by maintaining and updating them. Instead, their motivation is to attempt to get as much use as possible out of them during the term of the contract; in addition, if they should fail during the term of the contract, the contractors lack the ability to bear all losses. So people are growing to realize that changing the ownership rights of State-owned enterprises is an inevitability.

There are many ways of changing the State ownership system, for example, by sale, auction, division, joint stocks, etc. Sale or auction lead to clear definitions of property rights, therefore, according to the Coase theorem (Coase, 1960), it leads to effective resource allocation. However, it is very possible for one enterprise to be owned by one person or multiple persons, leading to relatively unfair allocation. In the current joint-stock system property rights are sold to shareholders by means of purchasing and allocating shares, which is quite fair.

But the current joint-stock system still has problems in its allocation methods. Specifically, the State owns too high a proportion of shares, while upper-level responsible departments over enterprises still have the right to appoint personnel and operational and managerial rights. The fact is that many "joint-stock" enterprises are cases of "having changed only the name and not the principle"; the operational system and enterprise leadership rights are both the same as before. I understood when I talked with some workers that most of them were not enthusiastic about this sort of joint stock allocation method, especially those workers in low efficiency enterprises. Their feeling was that before the State bore all of an enterprise's losses. Now, with the implementation of the joint-stock system, letting employees purchase stock is asking them to share enterprise losses with the State. So workers are reluctant to participate in shareholding. Right now, some enterprises have made participation in shareholding mandatory, and the workers are very reluctant about this. I actually sensed that the workers were worried about this to some degree. Since the State is still the largest shareholder, holding the majority of shares, the government still controls enterprise operation rights and personnel recruitment rights. Directors and managers are still named by upper-level administration, and the other, smaller shareholders are still unable to participate in decision making in enterprises. The decision rights in enterprises are still controlled by the government (or their nominees). Since State-appointed directors and managers bear no risks for operational results, they will be unconcerned about the efficiency and profitability of enterprises.

In other words, because property rights are not defined completely and clearly, production efficiency in this sort

of joint-stock enterprise would not be significantly higher than it was before. Therefore, just instituting the joint stock system will not enable us to resolve such problems as production efficiency. As I have pointed out in other articles, one problem-solving method that is both simple and effective is to let the government control only special types of stock. For example, it has priority rights in receiving dividends, but directors and managers of enterprises should be selected from corporate shareholders and individual shareholders. I believe this is a practical method that both guarantees that public ownership will still be the dominant part (the government is the biggest share holder) and will ensure that enterprises produce efficiently. When I later visited some areas in Zhejiang, I found that many township enterprises were approaching the joint-stock system or joint-stock operative remodeling by the use of similar methods, with very good results. This also proved indirectly the applicability of the method to State-owned enterprises.

VI. Conclusions

In this article, we have discussed the process of Chinese economic system transition and issues concerned with stable methods of achieving the transition in State-owned enterprise ownership. In addition, we analyzed the reasonableness of approaching reform in three gradual and progressive stages. We believe that given China's social mix, economic conditions, cultural background, historical traditions and political circumstances, we need first of all to improve the basis for the economic system to run well instead of instituting the reforms of marketization and privatization. Because instituting marketization and privatization early on in the primary stage of reform is unacceptable to the Chinese ideology and people's thinking, it could lead to political and economic instability. But reforms which only improve these premises are more easily accepted, because they can bring immediate efficiency and guarantee continuous and rapid economic growth. It would not cause a major economic decline, such as occurred when sharp reform methods were instituted in the former Soviet Union and the countries of Eastern Europe. This Chinese way of gradually approaching reform is a procedure that will lead to vigorous development of the non-State-owned enterprises, lasting development of the economy, and continual improvement in the people's living standard. It lets people realize the benefits of reform during the process of reform, increases people's confidence, strengthens their support for and awareness of participation in reform. Although some problems are inevitable due to mistakes in reform and the transition procedure, the achievements to date have proven the feasibility and reasonableness of this reform method. It is a process that will develop and improve the market system while maintaining economic growth, a gradual system transition process. If it is continued, the economic transition will be accomplished successfully.

It should be mentioned that this gradual approach method can only be applied to a country such as China

with a huge agricultural population, but is not applicable to some formerly directed economy nations where the agricultural population constitutes only a small proportion of the total (such as the former Soviet Union and the Eastern European countries). Due to differences in national circumstances, one country's reform experience cannot possibly be applied to others. For example, the former Soviet Union and some Eastern European countries have used the reform method of a "big explosion" or "shakeup treatment" (rapid change), while China uses a gradual approach method. Each of these two methods is probably applicable in its own country, but it might not be applicable in the other. Adopting this sort of indirect method, a method in which reform is started outside of the system, is more appropriate to China's situation and cultural background, more fitting to Chinese behavioral patterns and the nation's economic conditions.

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Footnotes:

1. These two theorems discuss the relationship between the market system and its efficiency. The first theory of welfare economics points out that a perfect competitive market system leads to perfect efficiency of allocation. It assumes the characteristic of non-existent externals and incompletely satisfies certain individual preferences (seeking personal profit). The second theory of welfare economics points out that any efficiency allocation can be reached as a kind of allocation brought on by the market system after assets have been suitably reallocated. It assumes the characteristics of non-existent externals and incompletely satisfies certain individual preferences. However, it must add some extra important assumptions, for example, individual preferences, and non-existent phenomena of production technology increases with the salary scale, etc.. For a detailed discussion, please refer to Tian Guoqiang (1993), and H.R. Varian (1992).)

*Article Reviews Economy in First Three Quarters

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[Article by Chung Ho (6945 4421): "Economic Situation in First Three Quarters and Suggestions on Macroeconomic Regulation and Control"]

[FBIS Translated Text] This year all localities and departments in China have acted in accordance with the cardinal government policy of "seizing the opportunity, deepening reform, opening still wider, expediting development, and maintaining stability." They have achieved positive results in continuing their efforts to strengthen and improve macroeconomic regulation and control, maintain high economic growth, and proceed with major reform measures in the fields of finance, taxation, banking, foreign exchange, and external trade. The macroeconomic environment has been further improved, and the situation as a whole is fine. An initial estimate puts the GDP at 2.6075 trillion yuan for the first three quarters of this year. This is 11.4 percent more than in last year's corresponding period after adjustment for inflation. In the course of advance, however, rather striking problems have been encountered. Chief among them are the persistent high rate of inflation, further revelation of the weakness of agriculture—the foundation of the national economy—and difficulties experienced in the operation of state-owned enterprises. All these should be resolved step by step in the next stage of reform and development.

Sustained and Fast National Economic Growth Amid Drastic Reforms

According to tracking and observations based on a macro-monitoring and advance-warning modeling, China's macroeconomy this year has remained most of the time in the basically normal region ("yellow light region"), thanks to the efforts spent in strengthening and improving macroeconomic regulation and control. In the last two months, however, economic operations began to approach the boundary of the "red light region" due to a rebound in prices and excessively fast growth in cash held by banks. This is mainly attributable to the influence of short-term factors and does not mean that the economy is "overheated" again. Nonetheless, the phenomenon deserves attention, and every precaution should be taken against the continued heating up of the economy.

With regard to the pattern of total supply and demand, this year China's total supply has remained in the fast-moving region. It has grown stably most of the time, but the growth rate has picked up since the beginning of the third quarter. Total supply during the period from the first to the third quarter was up 38 percent over last year's corresponding period, while total demand rose 41.9 percent. Total demand was a little higher than total supply, and the gap widened slightly compared with the last two years.

Because of the deepening of reform, the following new characteristics have been noted in the various links of the operation of the economy:

Industrial production has continued to grow quickly, resulting in an ample supply of industrial goods. From the first to the third quarter this year, enterprises at and above the township level added 1.1558 trillion yuan to the nation's industrial output value. This figure was 16.6 percent more than that for last year's corresponding period. Of this, the amount for the third quarter was 405.5 billion yuan, 18.1 percent more than a year ago. This growth rate was 1.5 percentage points higher than that registered for the first half year. Among major industrial products, most consumer goods showed a relatively fast increase in output. Output multiplied in the case of watches, cameras, video-cameras, and composite music systems. On the other hand, production from various investment projects decelerated. Increased stock and below-capacity production were relatively commonplace among manufacturers of steel, rolled steel, the 10 nonferrous metals, glass plate, and automobiles. But with an upturn of demand in the third quarter, improvement was noted in the situation of sales versus production. During the third quarter, 96.24 percent of the products turned out by factories were sold, up 3.7 percentage points compared with last year. This rate is considered close to normal.

Agriculture is expected to give a better harvest; its production structure has been improved. Despite frequent droughts and floods which have severely affected agricultural production in some localities, the overall agricultural situation has been fairly good because all levels of government have paid more attention to agriculture and the government's upward adjustment of farm produce prices has, to a certain, stirred up peasant enthusiasm for increasing production. Viewed from the country's agricultural situation as a whole, a fairly good harvest is expected. Total grain output is estimated at about 445 million tons. Though this is nearly 10 million tons below last year's output, this year is still a high-yield year, compared with the past records. Main agricultural products, including cotton, cooking oil, meat, vegetables, and aquatic products, have shown a tendency for stable or increased production. Sugar production has declined somewhat because of severe natural disasters in Guangxi and other sugar-producing areas.

Initial steps have been taken to control fixed-asset investment. During the period from the first to the third quarter, fixed-asset investment by state-owned units totaled 586 billion yuan, up 43.9 percent over the record registered a year ago. But the rate of increase dropped by 22.5 percentage points compared with the same period last year. Construction of vacation villages and luxurious villas and speculation on lands were effectively curtailed through a rectification campaign. The investment mix was improved with emphasis shifting to key construction projects. During the first three quarters, 62 percent of the funding requirements for the state's key construction

projects were met. More attention was given to energy and raw-material industries as well as transportation, postal, and telecommunications projects. Investment in these areas accounted for 55.7 percent of the total fixed-asset investment, 1.4 percentage points more than that for the same period last year. New projects launched during this period declined in number. For example, the number of capital-construction and technological-upgrading projects launched in the first three quarters dropped to some 32,000, more than 10 percent below the record for last year's corresponding period.

Sales on the domestic market was stable with a trend toward becoming more robust. During the period from the first to the third quarter, total retail sales of consumer goods amounted to 1.1122 trillion yuan, up 28.3 percent compared with the same period last year. After adjustment for the rise in prices, the real increase in sales was 6.1 percent. As a result of the protracted hot summer season, plus an obvious rebound in market prices, a brief bullish period for sales appeared in the third quarter, which saw an 8.3 percent real surge in sales compared with the corresponding period last year. This was 3.5 percentage points higher than the increase registered for the first half of this year. Generally speaking, the growth of sales has returned to normal. Sales on the rural market have grown at a faster rate than before.

Foreign exchange reform has achieved remarkable results, increasing exports steadily and correcting the imbalance between imports and exports. According to the customs records, the total export volume from the first to the third quarter reached \$79.44 billion, up 29.7 percent over last year's corresponding period; imports amounted to \$78.06 billion, an increase of 15.2 percent. This changed the situation of the last few years where the growth of imports always surpassed that of exports. The import and export trade had a favorable balance of \$1.38 billion. Presently, the exchange rate between renminbi and U.S. dollars remains at the level of 8.5:1, somewhat higher than the rate in the initial period after the single-tier exchange rate system was put into effect. Foreign investment in China continued to rise. From January to August, direct foreign investment amounted to \$20.5 billion, exceeding the same period last year by 55 percent. Improvement was noted in the investment mix with three new features: More investment was made in infrastructure construction, new- and high-tech industries, and technological-transformation projects for existing enterprises. Investment in China from big, powerful, and influential international consortia and enterprises was on the increase. And more money was invested in central and western inland areas. Overall, imports and exports achieved balanced development, while their composition was better than before.

Financial reform made new progress; credit and the money supply were basically normal. This year the central bank has further beefed up its functions. The newly organized policy-oriented banks, namely, the National Long-Term Development Bank, the Import and Export Bank, and

the Agricultural Development Bank, have started practical operations. Initial progress has been made in transforming specialized banks into commercial banks. The state has increased its capacity of regulation and control over credit and the money supply. Meanwhile, bank deposits have increased, and the granting of loans has been basically rational. From the first to the third quarter, deposits in banks and credit cooperatives rose 463.9 billion yuan over the same period last year. The increase in deposits was attributable largely to more savings deposits made by urban and rural residents and to increased deposits by enterprises. The increase in these two categories of deposits accounted for 92.4 percent of the total increase in bank deposits. The total amount of loans rose some 100 billion yuan. Control of currency in circulation was generally satisfactory. Unjustifiable borrowing and lending among banks and indiscriminate raising of funds were by and large eliminated. Since the beginning of the third quarter, however, more currency has been put into circulation. As of the end of September, the growth rates of currency in circulation at all layers showed a rather big upturn, compared with the end of June. However, the accumulated amount of currency put into circulation was still nearly 20 billion yuan less than last year's corresponding period.

Initial success was achieved in financial and taxation reforms; both revenue and expenditures rose rather quickly. Thanks to the efforts of all concerned, problems encountered in reforming the financial and taxation system have been corrected on time. As a result, the reform aimed at establishing a new financial and taxation system with the value-added tax as the mainstay and in line with the international system has developed smoothly. Now, the new system has been put on the normal operational track. The period from the first to the third quarter had domestic financial revenues 18.5 percent higher than the same period last year, the increase in various tax revenues being 18 percent. Financial expenditures rose 25.3 percent. Issuance of state treasury bonds has overfulfilled the preset quota, playing a positive role in supporting the various reforms and boosting key construction projects. But in view of the relatively big difficulties faced by enterprises in their production and operations and the increased factors that will lead to greater spending, it will still be hard to meet this year's revenue and expenditures target.

Income of urban and rural residents has increased rather quickly. Under the impact of in-depth reforms and fast development, the bank wage payments and other expenditures this year have increased steadily by a hefty 30-40 percent. For the period from the first to the third quarter, the per-capita income of urban and rural residents used for living expenses averaged 2,268 yuan, while the average per-capita cash income of peasants (different from the average per-capita net income) was 840 yuan. If adjusted for inflation, these two figures surpassed last year's corresponding period by 6.8 and 10 percent, respectively. A considerable rise was noted in the savings deposits of urban and rural residents alike.

The first three quarters witnessed an increase of 448.3 billion yuan in deposits in state banks and rural credit cooperatives. This was 216.3 billion yuan more than the increase for the same period last year. However, the improvement of the situation was uneven among different areas and different income classes. Earning a livelihood is still difficult for some low-income families.

On the whole, this year has seen breakthrough progress in the reforms in some fields, signaling a good start in building a new socialist market economy. Macroeconomic regulation and control have continued to score successes, resulting in a remarkable improvement in the macroeconomic environment and sustained and quick growth of the national economy. We hope this year's GDP will break through the 4-trillion-yuan mark and exceed last year's by 11 percent. Above all, the country has averted big ups and downs in its economy, providing a favorable condition for it to meet the strategic goal of quadrupling the 1980 GDP by the end of this century.

Some Strategic Problems in the Current Economic Sphere

While we are celebrating this year's achievements in economic construction and in the drive for reform and opening up, we should also see the following: Friction of interrelationships in various areas during the current period when old systems are being replaced by new ones. The rate of price increases in the market is remarkably higher than the rate of economic growth. Enterprise reform is still an arduous task. Work in macroeconomic reform has yet to be improved. The economy as a whole has not entered a cycle of self-sustained development. And certain destabilizing factors still exist in the economic sphere. All these are worthy of attention.

The enormous rise in prices is the most striking problem in the current economic sphere.

From the first to the third quarter, prices of consumer goods and retail prices for commodities around the country rose 23.3 and 20.9 percent, respectively, over the same period last year. For this whole year, these prices are expected to be over 20 percent higher than last year, making 1994 a year marked by the highest rates of increase in such prices since the start of the reform and opening-up drive. Changes in market prices since the beginning of this year have the following remarkable features:

- Price increases varied at different stages. During the first half of the year, as numerous measures were taken by the state to control rapid price rises, the momentum of rise in prices "changed from high to low and gradually slowed down." The monthly link relative to the rise in consumer goods prices dropped from 3.5 percent for January and 3.8 percent for February to 0.9, 1.4, 0.8, and 1 percent for March, April, May, and June, respectively. Since July, however, the rate has picked up remarkably because of the upward adjustment of grain and cooking oil prices

and the influence of natural disasters. From July to September, the monthly link relatives for rise in consumer goods prices were 0.7, 3.3, and 3.9 percent respectively. As for the fourth quarter, though price increase momentum may decline to some extent according to forecasts, the situation is not optimistic.

Prices in rural areas climbed relatively fast. Unlike the situation in the last few years when the rate of price increases was "high in cities and low in the countryside," this year has witnessed a steady rise in prices in rural areas. In the period from the first to the third quarter, prices of consumer goods for rural residents rose 22.2 percent compared with the same period last year. This rate was only 2.2 percentage points below that for urban areas. As for retail commodity prices in rural areas, the rise reached 21.5 percent, surpassing that for urban areas by 1.1 percentage points.

Prices of basic daily necessities rose substantially; the extent of influence of such price hikes on the daily life of residents was as much as 70 percent and more. The rates of price increases for consumer goods in the first three quarters of this year compared with last year's corresponding period were 47.6 percent for grain; 36.3 percent for meat, poultry, and their products; and 37.2 percent for vegetables. Since demand for these consumer goods are relatively inflexible and they have no substitutes and are widely needed, the rise in their prices has a deep influence on the residents.

New price-driving factors contributed substantially to the rise in prices. According to an initial estimate, about 70 percent of the price rise in the first nine months of this year was caused by new price-driving factors. Of this, about 40 percent was spontaneous price rise.

The following are reasons for high prices:

First, high costs have given a great impetus to price increases. During the past two years, excessively fast economic growth and the large amount of currency put into circulation have brought about a sharp rise in the prices of production elements, including raw materials, fuels, land, capital, and wages. This, coupled with the upward adjustment of prices for grain and other farm and sideline products, has created an enormous price-driving force for this year, and, consequently, market prices of consumer goods have climbed sharply. Initial estimates show that 70 percent of the price rise is cost-pushed. As this kind of price rise is rigid in nature, it will be hard to pull down prices in the near future.

Second, since the single-tier foreign exchange rate system was put into effect, demands for export products have risen sharply, while the nation's foreign exchange reserves have soared. This has not only reduced the supply going to the domestic market, but also brought about increased demand within the country. Both of these have driven up prices on the market.

Third, market management cannot catch up with the new situation of price liberalization. Illegal activities on

the market, such as cheating with inflated prices, monopolistically raising prices, jacking up prices without reason, and passing off inferior and fake products as quality goods, have added to the sharp rise in prices.

Fourth, striking problems exist with regard to market supply and demand. The problems are most strikingly reflected in the short supply of agricultural products, including grain, cotton, cooking oil, sugar, meat, and vegetables. This state of affairs is incompatible with the development of the national economy and improvement of the people's living standard. The sharp rise in food prices has pushed up the general price level.

In addition, the impact of the grain price hikes across the country from the south to the north during late last year and early this year, improper arrangements made in the course of implementing the new tax system, and natural disasters in some localities are also factors contributing to the price rise.

The problem that agriculture cannot meet the needs of national economic development is becoming increasingly striking.

This year the weakness of agriculture has become rather apparent. Ostensibly, the main problem this year is that severe droughts and floods have hit some areas, inflicting a relatively grave loss on local agriculture. In essence, however, it is a result of the weakening and slow development of agriculture over the past few years when efforts were concentrated on accelerating the industrialization and urbanization of the countryside. Even though the central authorities have time and again emphasized the need to beef up agriculture, quite a number of localities have still devoted their main efforts to expanding the scale of construction and competing with one another in a race to develop non-agricultural projects. No effective protective measures have been adopted for agriculture. Not only has the acreage of farmland become smaller each year (it has shrunk by nearly 10 million mu in the last two years), but insufficient investment has been channeled into agriculture and no remarkable improvement has been made on the conditions for agricultural production. After adjustment for inflation, the real investment in agriculture over the last two years made by various levels of government showed no significant increase; in some localities, it has even dropped. Following the declining agricultural investment over the past few years, the amount of fixed-asset investment in agriculture made by state-owned units continued to fall in the first three quarters of this year to a mere 1.7 percent of their total investment. Farmers themselves are also reluctant to increase their investment in agriculture because of the slow growth of their income, the high prices of means of production, and the relatively low return from farming.

A rather large number of state-owned enterprises still have difficulties in production and operations.

With the implementation of the nation's policy of supporting state-owned enterprises, this year has seen an

improvement in their situation with respect to production and operations. Production has picked up, and better efficiency has been achieved in operations. For the first three quarters of this year, production from state-owned enterprises and holding companies increased 5.8 percent over the corresponding period last year. This rate of increase was slightly higher than that for the first half of this year. Profits made by state-owned enterprises included in the budget reached 63.6 billion yuan, a 9.8 percent rise over the corresponding period last year. On the whole, however, state-owned enterprises still have a remarkably low rate of production, and many are experiencing rather big difficulties in promoting production and operations. They still have rather serious problems of overstocking of products and defaults in paying off outstanding accounts among themselves, and many of them are operating at a deficit. As of the end of September, the more than 30,000 state-owned industrial enterprises included in the state budget had tied-up funds totaling 178.5 billion yuan due to large stockpiles of unsold products. This was 30.8 billion yuan more than the figure at the beginning of the year. The net amount of their accounts receivable was 397.3 billion yuan, a rise of 80.3 percent. Moreover, 44.5 percent of the state-owned enterprises were operating at a deficit, their losses totaling 29.2 billion yuan, an increase of 8.1 percent. As for the reasons for the deficit, some enterprise deficits were due to the implementation of certain state policies. For others, deficits were caused by poor management. Allowing enterprises with fewer assets than liabilities to exist for a long time will not only hurt the image of state-owned enterprises, but may also affect and wear down a number of robust enterprises. Outwardly, the chief reasons for state-owned enterprise failures in production and operations are insufficient capital, large stockpiles of unsold products, increased debts among themselves, and the influence of imported products. Viewed in depth, however, the failure is caused by their poor capacity to cope with the new situation, lack of a strong competitive will, serious problems left over from the past, and irrational organizational structures. In short, they are still unable to become a real main element of the market capable of self-decision, self-responsibility for profits and losses, self-improvement, and self-restraint.

The scale of fixed-asset investment is still too large.

This year the scale of fixed-asset investment has been controlled to a certain extent. As a result, there has been a drop in both the number of new projects launched and the amount of new investments. However, problems such as the excessive scale of projects under construction and the irrational orientation of investment have yet to be resolved. Investments planned for this year show an increase of about 28 percent. Basically, this should be considered normal. But the ratio of fixed-asset investment to total investment is about 38 percent, which is apparently too high. As for projects under construction, the total investment in capital construction projects and technological updating and upgrading projects under

construction in the first three quarters was 2.4 trillion yuan, 40.1 percent more than the same period last year. If factors not included in the budgetary estimates are taken into account, projects under construction for the whole year will involve an investment of some 4 trillion yuan. This is apparently too high a figure and the basic reason for the shortage of investment capital and the outstanding debts among enterprises. With regard to the investment mix, there is still insufficient investment in basic industries, particularly in agriculture and technological-transformation projects for existing backbone enterprises. This will adversely affect efforts to raise the quality of economic operations.

The above four matters are interrelated. The in-depth reasons for the current high rate of price increases are slow agricultural development, inefficient operation of state-owned enterprises, and excessive investment in projects under construction. Of course, the high rate of price increases is also related to abnormalities appearing in the course of changing systems and the imperfection of the current legal system. The fourth quarter is not only a critical period for this year's economic work, but also a significant stage for creating better conditions for the work of the coming year. During the fourth quarter, stress in macroeconomic regulation and control should be placed on four tasks: First, financial and banking controls should be tightened to avoid overly fast growth in financial expenditures and in the supply of currency. Second, management should be stepped up over new construction projects, and the growth of fixed-asset investment should be put under proper control. Third, attention should be paid to improving the procurement of agricultural produce and by-products from peasants. Proper guidance should be given to them about planting plans for autumn- and winter-sown crops. Every effort should be made to increase the supply of agricultural produce to ease the pressure of supply versus demand on the market. Fourth, it is imperative to strike hard at activities of driving up prices and other irregularities.

Necessity of Maintaining Appropriate Economic Growth Next Year While Stabilizing Prices

In 1995, China's national economy may show a moderate decline as a periodical change following three successive years of rapid growth. However, it will still advance on the fast track. The momentum of price increases may weaken. Although the rise in prices may not be so sharp as this year, it will still be at a rather high level. In fact, continued improvement of the economic situation will depend mainly on the growth and decline of various favorable and unfavorable factors and on the orientation of the macroeconomic policy to be implemented.

The following are favorable factors: First, all localities and departments are very enthusiastic about "seizing the opportunity to seek development." That is, there are rather strong internal forces propelling economic growth. Second, in recent years a number of key construction

projects have been completed and put into operation, and the supply of raw materials has become relatively ample. This has provided a better material basis for next year's economy to grow at a higher speed. Third, the task to be undertaken next year, i.e., stressing enterprise reform while further improving and expediting various supplementary reforms, will give a new vitality to economic growth. Fourth, the expansion of China's opening to the outside world and its international exchange, the increase in foreign exchange reserves, and the economic revitalization of principal developed countries in the West will provide a favorable environment for China to better utilize international capital, technology, and markets in promoting sustainable and fast economic growth.

On the other hand, however, there are also unfavorable factors: First, the rate of price increases is too high. To curtail and gradually reduce this to a level that all social sectors can tolerate, it is imperative to continue the tight-currency policy. This will, to a certain extent, sacrifice growth of the economy. Second, agricultural production is still an undertaking "relying on heaven's assistance." This year natural disasters have occurred in quite a number of areas, resulting in severe losses. As a result, supply of staple agriculture produce is in a strained situation. This will adversely affect various aspects of the economy. In addition, the difficult situation faced by state-owned enterprises in carrying out production and operations can hardly be improved to any remarkable extent within a short period. New problems may still arise in enterprise reform. All these deserve full attention in planning next year's work of reform and development.

To achieve better results in next year's economic work, this writer suggests that attention be paid to the following:

Continuing to expedite economic reforms in various fields. Replacing the old systems with new ones at the earliest possible date is a vital guarantee for sustainable, rapid, and healthy development of the national economy. Next year every effort should be made to achieve remarkable results in reforming major state-owned enterprises to boost their vitality. Meanwhile, it is necessary to transform government functions, further improve the work of various macroeconomic reforms, and coordinate efforts of all sectors in reforming the social security system. While deepening the reforms, particular attention should be paid to the negative effects that may arise so that any destabilizing factor can be eliminated in good time.

Maintaining an appropriate economic growth rate. This is not only an important measure to ease the various contradictions in the economic sphere, but also a significant way to boost China's international competitiveness. In consideration of the various factors and based on an initial calculation according to China's economic model, we believe that, if next year's economic growth rate is maintained between 8 and 10 percent, no major problems will arise. If it is below 8 percent, enterprises

may have a large idle production capacity and may find it difficult to survive. This will have a negative effect on social stability and on the effort to create a favorable climate for deepening reform. If next year's economic growth rate exceeds 10 percent, it is likely that the economy will be in a strained situation, and market prices will continue to stay at a high level. In that case, the economy may operate persistently in the "red light region" (overheated region). Because of this, in exercising macroeconomic regulation and control, every effort should be made to guard against economic growth that is too high or too low. And it is essential to do everything possible to promote agricultural production, adjust the industrial structure, and make all-out efforts to develop tertiary industry and increase the effective supply.

Scientifically strengthening the intensity of macroeconomic regulation and control. Here the key things are investment projects and the currency in circulation. With regard to investment projects, the increase in actual construction work next year should not be lower than the rational economic growth rate. Next year's investment scale should be controlled within the limit of 1.9 trillion yuan, about 20 percent over last year, while the proportion of domestic investment should not exceed 35 percent. Stress should be put on strictly controlling new projects, reducing the scale of projects under construction, and focusing efforts on the development of agriculture, transportation, and the energy industry as well as the transformation of existing enterprises. As to the currency in circulation, next year loans extended by state banks should not exceed 700 billion yuan, and the ratio of increase in currency supply to economic growth should be maintained at roughly 2:1. Particular attention should be paid to enhancing the macro regulation and control over the distribution of income, gearing up the collection and management of individual income taxes, and strictly controlling wasteful consumption of public funds. Meanwhile, continued efforts should be made to adjust the investment orientation, minimize waste, and speed up turnover of funds.

Curbing excessive inflation. One of the important economic tasks for next year is to continue to cut the rate of price increases so that it will fall within the limit that all sectors can tolerate. Judging from the current trend, there is a rather strong likelihood that the rate of price rises will come down next year. Even so, it will still be very hard to control the inflation rate within the 10 percent target. To do so, strenuous efforts should be devoted to work in various fields. For example, proper macroeconomic management should be exercised over grain, meat, and vegetable prices, as well as various service charges and the cost of means of agricultural production. It is necessary not only to boost supply by increasing domestic production and imports, but also to rectify the order of the market and improve market regulation. In the meantime, work should be geared up to establish a system to guarantee the basic livelihood of low-income classes. And every effort should be made to

ensure that, during the second half of next year, the rise in prices for each month will be less than 10 percent compared with the corresponding month this year, and that the rate of price rises for next year as a whole will not exceed 15 percent.

***Article on Causes for Shortage of Working Capital**

95CE0084A Beijing JINGJI RIBAO in Chinese
13 Oct 94 p 2

[Article by Ka Lin]

[FBIS Translated Text] Although banks have in recent months increased loans to enterprises, there is still an acute shortage of working capital. Now it appears that the problem is not how much money banks can lend but that working capital is not fully put to good use. A recent estimate by financial experts shows that China now has a gross capital of 4 trillion yuan, with more than 2 trillion yuan in fixed assets and around 2 trillion yuan in working capital. This is the input. What about the output? The gross national product (GNP) created per year is more than 3 trillion yuan. In terms of working capital alone, for every 100 yuan output value created, we spent 30 yuan of capital in the past, compared to 150 yuan for now. Placing the current gross capital and GNP figures side by side, we can see that enterprises' capital is hardly scarce but plentiful and that the problem lies in the ill utilization of the capital.

Why is working capital not utilized properly? This needs some serious examination.

First, loss-making enterprises undoubtedly eat up a good chunk of capital. Due to poor management, a substantial number of enterprises, after incurring losses, not only are unable to repay bank loans but also drain their working capital. A Beijing Municipality survey shows that at the end of 1993 the total working capital of enterprises under the city's local budget stood at 34.1 billion yuan, while the budgetary industrial enterprises' explicit and hidden losses as well as welfare fund deficits amounted to 4.95 billion yuan, or 15 percent of the total working capital. Nationwide, state-owned enterprises' losses alone now reach several dozen billion yuan, into which the amount of working capital sunk is definitely not small. In other countries, enterprises, well managed or not, are obliged to repay bank loans; not so in China, where enterprises, after incurring losses, can "repudiate their debts," and banks are obliged to continue providing these enterprises with working capital to be used as subsistence allowances for their employees. Consequently, various specialized banks are saddled with an increasing number of bad working-capital loans.

Second, overstocked products trap another chunk of capital. Since the second half of last year domestic market sales have undergone tremendous changes, further revealing many enterprises' irrational product mixes, and inventory has continued to rise, resulting in

large sums of working capital being stuck in production. Statistics indicate that by the end of June finished products manufactured by industrial enterprises across China had taken up over 300 billion yuan of working capital, of which at least more than 70 billion yuan was stagnant in warehouses and had lost its fluidity, after deducting normal stock requirements. Third, debt chains among enterprises take up a further chunk of capital. As products do not sell well, and banks are slow in settling accounts, and enterprises believe that "they are justified in defaulting in payments" and that "they can gain from defaulting," delaying payments for goods received between enterprises has recently become increasingly rampant; huge amounts of working capital have thus become "stagnant water" that can hardly flow. Currently, accounts receivable among budgetary state-owned industrial enterprises exceed 300 billion yuan, of which at least over 100 billion yuan is overdue, after subtracting normal business credit. Fourth, investment in capital construction diverts another chunk of capital. In order to start new projects, diversify investment, and seek fast growth, many enterprises, with either no source of capital or insufficient capital, often divert working capital into construction projects, thereby causing severe dissipation of working capital. A case in point is the recent development zone and real estate fevers where large sums of money went into capital construction, resulting in tens or even hundreds of billion yuan of capital being trapped in nonliquid real estate.

Furthermore, there is the issue of management. In other countries, financial instruments number more than 1,000 and there is much flexibility in acquiring capital; in China, it is difficult to acquire capital in limited channels, and control over the financial market is very tight, while less complicated mortgage loans and leasing are not yet available. Enterprises often have only banks to turn to.

Working capital is essential to economic intercourse as well as production. To an enterprise, if the working capital is tight or does not flow well, its normal production and economic intercourse will be affected; to the national economy, if a large amount of working capital stagnates, there will be no guarantee for a sustained and healthy development.

Today, to conscientiously study and remove the obstacles hindering the smooth flow of working capital and to broaden the channels for such flow are very practical and significant tasks. It requires very much the joint efforts of enterprises and financial departments.

The main asset of working capital is its liquidity. Focusing on the factors affecting the liquidity of working capital, enterprises should make resolute efforts to "restrict production, reduce inventory, and promote sales." Following market demand and changes, they should readjust production plans and product mixes, enhance the marketability of products, actively bring industrial products to the countryside, and spare no efforts to keep working capital liquid.

On the other hand, while clearing up enterprises' overdue loans, financial departments should accelerate the commercialization of banks and the establishment of capital markets. They may want to consider and explore the following measures: set up local investment and credit institutes, develop the leasing industry, establish medium and small business loan guarantee companies, and experiment with the concept of mortgaging property for loans in enterprises that make little profits or incur losses. In addition, financial departments should step up the administration and supervision of credit and loans to prevent the investment in capital construction from taking away working capital, make special efforts to help enterprises reduce losses and increase profits, and merge or bankrupt those that have no hope of getting back in the black or whose debts outstrip their assets.

According to informed sources, Jilin Province raised and activated 2.5 billion yuan of capital in the first half of this year by implementing seven measures, which included clearing up overdue loans, strengthening marketing, and readjusting and controlling enterprises' production, sales, and inventory. This proves that as long as we make efforts to remove obstacles and open new channels, we can make working capital flow again, which, in turn, can help solve the current acute shortage of capital.

*Article on Social Security Reform

95CE0167B Beijing ZHONGGUO GAIGE [CHINA REFORM] in Chinese No 10, 13 Oct 94 pp 30-32

[Article by Chen Yanbang (7115 6056 6721): "The Basic Framework and Reform Thinking for China's Social Security System"]

[FBIS Translated Text] The basic framework of China's social security system was designed in line with the overall framework of our socialist market economy system, providing the thinking for reform of our social security system.

The Basic Framework of China's Social Security System

The "CPC Central Committee Resolution on Several Issues Involved in the Building of a Socialist Market Economy System," passed by the Third Plenary Session of the 14th CPC Central Committee, designed the overall framework for China to build a socialist market economy. Meanwhile, it also designed the basic framework for establishment of a social security system, whose major substance is as follows:

—A multi-level social security system. A social security system includes social insurance, public relief, social welfare, arrangements for providing special care to disabled servicemen and family members of revolutionary martyrs and servicemen, social mutual aid, and individual savings-accumulation security. The

"Resolution" requires "the establishment of a multi-level social security system." The administrative levels of a social security system exist objectively, being determined by the level of development of the productive forces and the capacity of all parties. While a social security system covers the whole society, "social security for urban residents should be differentiated."

—A uniform policy for our social security system. A social security policy is the lifeblood of social security. The "Resolution" notes that "social security policies need to be uniform," which will help to overcome the currently existing flaw of social security policies proceeding from too many areas, to ensure the development of the social security cause.

—Legalized social security management. Social security legal provisions require that social security management take the path of legalization. The "Resolution" notes that social security "management needs legalization." This means that all social security systems need legislation for management in accordance with the law.

—Pluralized social security fundraising. In line with the principle that the social security burden should be shared rationally by the state, enterprises, and individuals, social security fund raising needs to be pluralized. The "Resolution" notes that "its funding sources and form should be determined by the various social security categories." This requirement means that social security fund raising needs to be socially oriented, including state finance, social groups, enterprises and institutions, and members of society.

—A standardized social security agency. A social security management agency is the key link in application of a social security system. Aimed at our social security status quo of long management and chaotic order, the "Resolution" notes that: "We will set up a uniform social security management agency. We will improve our social security management, forming mechanisms for a good cycle of social insurance fund raising and operation. Social security administration and fund operations need to be separated. The social security management agency performs mainly administrative functions. We will set up a social security fund oversight organization represented by and participated in by the pertinent government sectors and the public, to oversee the social security fund balance and management. The social insurance fund operating agency, premised on ensuring regular fund payments, security, and liquidity, can use social security funds in accordance with the law, mainly for buying national treasury bonds, to ensure social insurance fund hedging and appreciation." This shows that establishment of a social security agency will be standardized in China.

—A diversified social security model. Our social security model was determined by national conditions. The "Resolution" notes that: "We are placing priority on

improving our enterprise old-age and unemployment insurance systems,... with urban employee pensions and health care insurance funds shared by work units and individuals, combining overall public planning with individual accounts. We are making our unemployment insurance system sounder, with insurance premiums uniformly raised and paid by enterprises at set percentages of employee payrolls. We are setting up a universal insurance system for enterprise work injuries. Peasant old age will be secured mainly by families, in combination with public support. Qualified areas, based on peasant free will, can also practice individual savings-accumulation old-age insurance. We will develop and improve our rural cooperative health care system." This model fully reflects Chinese distinctive characteristics.

This basic framework of China's social security system designed by the "Resolution" sums up the experience of social security reform, while providing the basic thinking for intensified reform.

The Basic Thinking for Reforming China's Social Security System

The 14th CPC Congress report notes that "intensification of distribution system and social security system reform,... to actively set up social security systems such as unemployment, pensions, and health care" is of prime importance. The three social insurance systems of pensions, unemployment, and health care are the backbone of the basic framework of our social security system. So in line with the basic framework designed by the Third Plenary Session of the 14th CPC Central Committee for a social security system, setting forth the reform thinking for the three insurance systems of pensions, unemployment, and health care to spur other system establishment is the priority for creating a basic social security framework.

1. The Reform Thinking for China's Old-Age Insurance System

The flaws in our current pension insurance system, such as too narrow coverage, a single fund-raising channel, and lopsided enterprise burdens, are out of line with our market economy development needs. The reform thinking is:

- We need to expand our pension insurance coverage. Because our existing state enterprise pension insurance system is too narrow in coverage, no longer suited to the needs of our productive forces development and regular workforce mobility, we need to expand our pension insurance scope of application to all types of urban enterprises.
- We need to practice a multi-level pension insurance system combining basic pension insurance with supplemental enterprise and individual savings pension insurance.

—We need to practice overall public planning for our pension insurance funds, with uniform fund raising, management, and use of pension insurance in the public arena. The overall public planning for our pension insurance funds should develop from overall planning by smaller regions (such as cities and counties) to overall planning by larger regions (such as provinces) to national overall planning.

—We need to practice an "Employee Pension Insurance Manual" system. Our enterprise retiree pension funds need to be standardized and legalized through overall national planning, with the first step being to achieve overall provincial planning and practicing a provincial "Employee Pension Insurance Manual" system. All working and retired personnel will have a manual in which funds and accumulated amounts will be registered monthly, with free movement within the province in line with job transfers and no restriction by ownership system or work years. The second step will be to practice national overall planning, to achieve "mobility throughout China with no pension worries."

—We need to gradually develop a rural pension insurance system with differing standards. Rural township and private enterprise employees and self-employed workers should follow the urban collective and "three kinds of foreign trade" enterprise method, practicing an employee pension insurance system in which standards could be lower but not higher. Certain rich peasant households in rural areas should favor individual savings-accumulation pension insurance.

2. Reform Thinking for China's Unemployment Insurance System

Because China's current unemployment insurance system is too narrow in scope of application, too low in level of security, and far from being suited to the need to adjust our industrial structure, invigorate enterprises, and intensify labor reform, it needs further reform. The reform thinking is:

- We need to expand our unemployment insurance limits. Unemployment insurance should be expanded from the four types of state enterprise employees (employees of enterprises that have declared bankruptcy, employees cut during the period of legal reorganization of enterprises on the verge of bankruptcy, employees whose enterprises have ended or terminated their labor contracts, and dismissed enterprise employees) to include employees cut due to terminated-production enterprises and composition-optimization needs, as well as employees removed from enterprise rolls. Meanwhile, we need to gradually expand our unemployment insurance scope to all urban collective, "three kinds of foreign trade," private, and township enterprise employees.
- Unemployment insurance fund raising should be essentially done through enterprise payment. Unemployment insurance fund payment criteria should be

linked to local unemployment rates, with enterprises paying a percentage of their overall employee payrolls corresponding to the unemployment rate calculated by the local labor sector, to be listed as a preincome-tax expenditure, with enterprises establishing accounts from which banks will deduct payments monthly as agents.

- We need to raise the overall planning level of our unemployment insurance funds. Our overall planning for unemployment insurance funds should gradually be expanded from the current prefectural, municipal, and county overall planning to overall provincial planning, or provinces could amass certain percentages based on need for provincial adjustment use. Meanwhile, we need gradually to practice provincially uniform enterprise payment of unemployment insurance fund percentages.
- We need to develop new job opportunities. Backed by unemployment insurance, we need to set up job training bases to improve labor skills and job opportunities by vigorously developing tertiary industries to expand employment channels. Meanwhile, we encourage independent job seeking, supporting the operation of private enterprises and organization of labor exports to lower the unemployment rate and accelerate economic growth.

Reform Thinking for China's Health Care Insurance System

China's current public and labor-insurance health care are guaranteed completely by state revenue and enterprises, with their exploding costs hard for state revenue and enterprises to endure. Our rural cooperative health care system has essentially disintegrated. As a health care insurance system involves the vital interests of all members of society, it is much harder to reform than our pension and unemployment insurance systems. The reform thinking for China's health insurance system is:

- We need to set up a health insurance system suited to China's national conditions. In light of China's national conditions of an enormous population and vast territory, an urban-rural gap, and uneven economic development, we can only set up a multi-level primary health fitness and basic health insurance system with widespread coverage and low standards that are enjoyed by all.
- We need to reform and improve our public health insurance system and make a suitably higher percentage of individuals pay premiums. The method of making individuals appropriately share part of health care costs is aimed at raising cost awareness and reducing unnecessary waste.
- We need to set up a labor-insurance health insurance fund. This fund would be paid into mostly by enterprises, with individual employees sharing a small part.

A fund management agency would issue "labor-insurance health insurance cards" to enterprise or individual insurance policyholders, with health care provided by hospitals designated by the management agency. Individuals would not pay costs within quotas, with surpluses spanning fiscal years, and a set percentage of the above-quota part being assumed by the individual.

- We need to set up a rural health insurance system. The reform of our rural health insurance system cannot simply be a replay of our former cooperative health care system, but rather needs to introduce social security forces. We would generally to take the natural village as the unit with individual policy holding and with individual insurance-cost criteria set according to the actual state of local economic development and peasant economic endurance. All policyholders would pay a percentage of medical costs when hospitalized. When medical costs for major or serious illnesses cannot be covered by insurance funds, they can be handled through mutual aid by family and friends, support from township enterprises, and government relief. Rural health insurance business would be managed by township (town) government social security commissions, with natural village business run by village committees.

Related Steps for Reforming China's Social Security System

1. We need to set up a coordination agency for uniform social security management.

China's social security status quo is one of administrative divisions, urban-rural differences, and multiple management, with each doing things its own way. Our social security cause is managed by subdivided sectors, such as civil administration, labor, public health, finance, and labor unions. As responsibilities and divisions of labor are unclear, with no uniform coordination agency, certain mutual wranglings often occur. Because the socialization of socialist production means the socialization of social security, we need correspondingly to socialize our social security management. The establishment of a coordination agency for nationally uniform social security management is imperative. A comprehensive management agency can make overall social security plans and consolidate policies and actions. We need to set up a social security index system that reflects the whole society, including these social security indexes in planning and statistics keeping, so that they become the key grounds for drawing up social security plans and setting social security policy.

We need to establish sound social security legislation.

Establishing sound social security legislation is a key prerequisite for ensuring the application of our social security system. First, we need to publish social security legislation to clarify matters, such as social security principles and policies, management and coordination,

rights and responsibilities, limits and standards, and fund sources and operations, as the grounds for drawing up specific individual laws. Meanwhile, we need to better systematize our past piecemeal, effective, and mature provisions, setting application methods and detailed rules and regulations, as well as fixing them in legal form, to create a national social security legislative system.

3. We need to tighten our social security fund budget management.

Our current social-security-fund fund raising and management are too piecemeal, with fund decentralization, multiple management, and no "specific funds for designated uses, or special-account savings," so that diversion and misappropriation occur to varying degrees. So bringing our social security funds into line with national budget management is absolutely necessary. We need to set up a social security financial management agency in the revenue sector, to tighten management and oversight of social security unit finance and budget balance. Social security fund surpluses must not be diverted to make up fiscal deficits, being used only to purchase treasury bills. Because this bringing of social security funds into line with budget management should occur gradually, we should now include the "two funds" (pension and unemployment insurance funds) in budget management.

*Article Criticizes Recent Book on Joint Stock System

95CM0075A Beijing ZHENLI DE ZHUIQIU
[PURSUIT OF TRUTH] in Chinese No 11, 11 Nov 94
pp 24-25

[Article by Jiang Yifan (3068 0001 1581): "Bring in Investment Without Bringing In Speculation, and Criticism of 'Joint Stock System Declaration'"]

[FBIS Translated Text] I would like to discuss two thoughts on the joint stock system:

1. The 30 July issue of KENMIN RIBAO reported that various units, including the Securities Supervision and Control Commission, convened a meeting to study how to remedy problems of the stock market. One of the measures was "trial operation of Sino-foreign joint venture fund management companies, gradually attracting foreign investment in the Chinese A share market."

Data show that idle international capital from the United States and elsewhere surged into the Hong Kong stock market where speculation fueled a 52 percent rise in the stock market in slightly more than 3 months between October 1993 and 4 January 1994. International speculators then unloaded their shares at high prices, and after taking bloated profits, they withdrew their money. For 77 days after 4 April 1994, the stock market plunged 30 percent. This was the first time this had ever happened during nearly 100 years of operation

of the Hong Kong Stock Market according to international practice. The Shanghai and Shenzhen stock markets have been in trial operation for only a few years. How can they withstand the impact of international investors. If China brings foreign fund investment into its A shares market, once the speculation of international speculators causes great ups and downs in the market, foreign traders will make bloated profits, and the rank and file of investors will inevitably suffer great damage. This is a problem that has to be considered.

In referring to stock market remedies, the report also talked about "development of China's own mutual investment funds, fostering institutional investors," and selectively financing securities institutions that have a good credit rating and are managed well to invigorate trading and stabilize the market." In western countries, particularly the United States, mutual funds contain trillions of dollars. They have speculative experience and quick access to information. To a very large extent, they are able to control the stock market. China's mutual funds are mostly deposited in national banks. Investment of mutual funds in the stock market would be tantamount to the withdrawal of bank funds, which would be bound to cause the issuance of more money for an increase in inflationary pressures. Use of low interest rates to nurture the stock market would also increase currency inflation and be even more unrealistic. I believe a better way to remedy the stock market might be "slowing the issuance and listing of shares."

2. I recently saw a book titled "Joint Stock System Declaration." Its author is Li Zhangzhe [2621 7924 0811] of the State Commission for Restructuring the Economic System, and Reform Press is the publisher. Page 1 of this book carries the following quotation of Marx: "If it had been necessary to wait until a certain unit of capital increased sufficiently to build a railroad, I fear there would still be no railroads in the world today. However, concentration through joint stock companies enables completion of this task in the twinkling of an eye." ("Complete Works of Marx and Engels," Vol 23, p 688). Marx made this statement more than 100 years ago in reference to capitalist countries. Since the founding of the people's republic, China has built very many railroads, and without joint stock companies.

Page 2 of the same book contains two themes. The first theme is that "share capital is the consummate method for orienting toward communism." This statement is sourced to an "excerpt" from a letter from Marx to Engels. The original text reads: "Share capital serves as the consummate method (orienting toward communism) and all its contradictions." (Op. cit., Vol 29, p 299). However, the quoter ignored another statement of Marx, namely that "this change toward a share form is itself confined ' / the bounds of capitalism; therefore, this change does not overcome the antagonism between wealth of the nature of social wealth and of the nature of private wealth, but rather develops this antagonism in a new form." (Op. cit., Vol 25, p 497). The second theme

is: "the joint stock system is the orientation of Chinese enterprise reform." Can one arrive at this conclusion by using the Marxist standpoint? That remains to be seen.

The author of this book believes that the "joint stock system is an important tool for economic reform that breaks down the unified public ownership system model." The book also quotes the works of a professor as follows: "The state ownership system is not socialist public ownership. In my view, the state ownership system seems to be the worst of all forms of ownership." The book also quotes the words of an economist as follows: "The joint stock system should be the main form of China's socialist ownership system." This shows that the author denies that the state ownership system is a socialist public ownership system, and that he wants to supplant the public ownership system with the joint stock system.

The author also says that "the political and cultural essence of the joint stock system lies in its being an effective mechanism leading to the development of human rights." Economically, the joint stock system inevitably forms a basis for steady advances in political system reform, and success in political system reform will reflect mankind's aspiration for equality, democracy, freedom, and human rights. Seemingly, the author's expectations of the joint stock system are not limited to breaking down the public ownership system, but also the appearance of a western-style political system.

Finally, the author says that "a breath I have been holding for 10 years I finally exhaled today in a great burst!" Just what breath has he been holding? And what breath has he exhaled?

"Joint Stock System Declaration" has been printed in 8,000 copies and is openly for sale. Its negative influence on socialist public ownership should not be underestimated.

***Money Supply Data Made Available To Public**

95CE0178A Beijing JINGJI RIBAO in Chinese
18 Nov 94 p 7

[Article in column headlined "New Observation" by Wang Zhi (3769 2535): "Pay Attention To the Rapidly Increasing Money Supply"]

[FBIS Translated Text] In the third quarter this year, People's Bank of China began making public one of the indexes being monitored, the money supply. This has been viewed as a major move to help the central bank improve its macro regulation and control functions, make the implementation of the monetary policy more transparent, and ensure the steady and healthy functioning of the financial system.

Disclosing the money supply quantity is very common in the West, but in China, it has long been regarded as a state secret, and to have it finally made public no doubt

should be of great interest to everybody. As far as the department in charge was concerned, it was also a good opportunity to educate the public. However, because of problems in the operational links, the public disclosure did not attract much social interest, which was must regrettable.

Generally speaking, the money supply refers to the sum of the means of circulation and means of payment at any point in time. In China's situation, the disclosed money supply was made up of four parts:

M_0 : cash in circulation;

M_1 : M_0 + enterprise demand deposits + institution, organization, and department deposits + rural deposits + credit card-type deposits held by individuals;

M_2 : M_1 + urban and rural citizens' savings deposits + enterprise time deposits + foreign currency deposits + trust-type deposits;

M_3 : M_2 + financial bonds + commercial notes + transferable time deposits in large denominations.

Disclosed data for the end of this year's third quarter showed M_0 to be 641.29 billion yuan, 26.4 percent more than last year for the same period and 7.5 percentage points higher than in the second quarter. They also showed substantial increases in M_2 , money supply in the narrow sense, and M_3 , money supply in the broad sense, signifying an accelerated increase in the money supply.

What should be noted is that M_0 which represents cash in circulation accounted for 30 percent of the money supply in its narrow sense, which exceeded by far the usual amount in Western developed countries. This is directly attributable to our current lack of credit and the prevalent use of cash to settle accounts in economic dealings. M_0 plays the most important role in consumer goods and labor and service transactions, so that the amount of cash issuance plays a very important role in China's retail prices. To a large extent, cash issuance in excess of the rate of economic growth can push retail prices higher.

Among the many causes that give rise to the accelerated increase in the money supply, the rapid increase in consumption funds should not be overlooked. Statistics show that in the first nine months, bank wages and other personal cash expenditures grew 41.3 percent, and in particular, they increased as much as 60.3 percent in September. This phenomenon has attracted much attention from the pertinent department which has begun to take effective and practical steps to curb the excess increase in consumption funds.

The money supply is an indicator of society's total credit; it is the monetary expression of the change in society's total demand, and it provides an effective means for analyzing, diagnosing, and forecasting economic and financial functions. Therefore, people who are concerned about the nation's economic development should try to understand this index.

The public disclosure of the money supply index brings up another issue: Under the system of economic planning, many economic data were kept secret. In the wake of the development of the market economy, people's economic activities will depend more and more on economic indicators to help them make decisions and choices. Under the circumstances, we must sort out what data should be made public in a more reasonable way and more timely fashion. This is a natural part of market economy development.

*** Textile Price Changes, Impact**

95CE0161A Beijing JIAGE LILUN YU SHIJIAN
[PRICE: THEORY AND PRACTICE] in Chinese No
10, 20 Oct 94, pp 24-26

[Article by Dong Yunliang (5516 0061 0081): "This Year's Textile Price Changes and Their Affect"]

[FBIS Translated Text] The prices of China's textiles, especially two yarns and two cloths, have fluctuated greatly since the end of last year. First, beginning from the end of 1993, yarn and cloth prices rose a little; continuing with a sharp rise in all textile prices from March through May of this year. By the end of May, yarn and cloth price levels peaked, with primary product prices more than double. Beginning in June, yarn and cloth prices began to fall. By the last half of August, they had fallen about 15 percent, and it is estimated that they will continue to come back down in the next few months. There are four major factors leading to the severe fluctuations in domestic textile prices, especially yarn and cloth prices:

The first is that the international market, spurred on especially by the market prices of China's key textile exporting regions such as Hong Kong-Macao and Japan, has been a direct cause of the great fluctuations in this year's domestic textile prices. China's textile exports make up more than one third of the total value of textile industry output, and regions such as Hong Kong-Macao and Japan make up approximately 60 percent of China's total textile exports. So, with current domestic textile prices completely deregulated, changes in international market prices directly affect changes in domestic prices. The main reason that such external markets as Hong Kong-Macao and Japan fluctuated greatly in a few short months, is that China had a poor 93/94 cotton harvest and traders were afraid that after May and June, domestic mills would cease production and would have no product that they could supply. On top of that, some speculators got into it and prices in such close in markets as Japan and Hong Kong-Macao were "rigged" and there was the unusual situation of the prices of close in markets being higher than the prices of distant markets such as Europe and the United States. In just a few short months, prices rose about 70 percent. After June the state took a series of effective measures regarding the cotton supply, including drawing on cotton reserves, and importing some foreign cotton, to alleviate the tight

cotton supply situation. Production of the mills also was rather stable and traders' anxieties were dispelled. At the same time, because Hong Kong and Japanese markets competed with one another to purchase in the first half of the year, their stocks increased greatly. According to statistics of the department concerned, Hong Kong and Japanese market imports increased by approximately 30 percent over the same period last year, creating overstocking for some varieties, and some traders began to sell large quantities at low prices. By the last half of July, yarn and cloth prices in such markets as Hong Kong and Japan came back down 20-30 percent and there were very few transactions. Domestic textile prices rose and fell almost the same as the prices of such markets as Hong Kong and Japan. So, the only differences were domestic prices that rose higher than the prices of such markets as Hong Kong and Japan and domestic prices that fell slower and lower than the prices of such markets as Hong Kong and Japan. Domestic prices' rising higher than international market prices caused the following factors: One is that domestic foreign trade export enterprises and "portfolio" companies forced up prices in the rush to buy. Another is that raw material prices rose too sharply, pushing up finished product prices. This point will be analyzed later. There are four main reasons that domestic prices were not synchronized with international market prices and did not come back down to the same extent. The first is that presently the main domestic managers of textile exporting foreign trade enterprises still have high priced contracts and still have "profits" that they can earn. The second is that some foreign trade enterprises still need to maintain appropriate reserves and are afraid of difficulty in the delivery of goods if prices fall too greatly. The third is that some foreign trade enterprises had certain profits in the first half of the year and to complete their export foreign exchange earning plan they do not hesitate to take temporary losses and adopt the method of using profits to make up for losses, and continue to purchase goods. The fourth is the two kinds of yarn and two kinds of semi-finished products that have a quota. In order to fulfill their quotas, after careful consideration, foreign trade enterprises have had to continue to purchase exports. In summation, international market prices have been a major factor affecting the fluctuation of Chinese domestic textile prices in the first half of this year and will be an important factor that cannot be overlooked, affecting changes in Chinese textile prices for a while.

The second [major factor], the rise in raw material prices, is an inherent factor pushing up domestic textile prices a great deal. Raw material costs make up about 60-70 percent of yarn and cloth costs. Because there was a rather large deficiency in domestic cotton this year, it led to confusion in domestic cotton supply channels and such serious situations as mixing authentic and false, raising grades, and indiscriminately raising prices. It is understood that the domestic market price for "129" sawtooth cotton now has already reached 19,000 yuan per ton, and at the beginning of the year it was only about

11,000 yuan per ton and the state fixed price was 9,204.47 yuan per ton. Obviously the price of cotton has risen greatly. Because cotton supply is inadequate, several mills one after the other have switched to producing mixed synthetic fiber textiles, thereby bringing about a rise in synthetic fiber prices. For example, polyester short fibers were only about 9,000 yuan per ton last year. Now they already have risen to about 16,000 yuan per ton. Rises in raw material prices directly lead to increased textile enterprise raw material costs. Calculated based on current high raw material prices, the affect of raw material prices on product prices is roughly: 74 percent for pure cotton yarn, 55 percent for 65/35 polyester cotton, 68 percent for pure cotton gray cloth, and 42 percent for polyester cotton gray cloth. Raw material prices have risen greatly, making it difficult for textile enterprises to absorb them themselves and they are forced to transfer the burden of higher prices by raising product prices. Especially where product supplies do not meet demand, productive enterprises can transfer the entire rise in raw material prices to the purchaser.

The third [major factor], increases in textile enterprise production costs, is also another inherent factor driving up textile prices. In recent years, textile enterprise production costs have increased very much. Water, coal, and electricity prices have risen greatly and worker wages have risen, but most enterprises lack the ability to absorb them themselves, directly increasing the production costs of textiles. It is understood that in 1994 yarn and cloth labor costs will be about 30 percent higher than in 1990, and for some enterprises it will be even a little bit higher. According to these calculations, the affect on prices of increased production costs is roughly about 10 percent.

The fourth [major factor] is that domestic enterprises engaged in textiles mutually raise prices in the rush to purchase, exacerbating the rise in textile prices. The sudden upturn at the beginning of the year in such markets as Hong Kong and Japan led to a domestic foreign trade enterprise price war. Mutual contention for sources of goods between central foreign trade companies and provincial foreign trade companies, foreign trade companies of one province and another, and between provincial foreign trade companies and combined industrial and trade entities, with some domestic "portfolio companies" taking advantage of the situation to drive up prices to the point that the same batch of goods would have the price set several times in one day. This caused yarn and cloth prices to greatly exceed normal price levels. The prices of some varieties eventually exceeded normal prices by about 30 percent and ordinary varieties were about 15 percent higher.

The great fluctuations in domestic textile prices have had a very great impact on the development of China's textile industry. Although the great rise in textile prices caused China's textile industry to turn around a losing situation in a few short months and created the economic conditions for future textile industry development, at the same time, we should look at the fact that

the sharp rise in textile prices also could produce some unfavorable affects on textile industry production. One of these is that increases in this year's textile industry profits are very great because of price increases and not because enterprises improved their internal administration, raised labor productivity, and lowered product costs. A considerable portion of enterprises, because they received low price state, reserve cotton profited from the raw material price differential. Secondly, the rises in upstream product prices were too great, increasing the difficulty of deeper processing enterprises to absorb them, and domestic consumers cannot support them, increasing deep processing enterprise losses or forced production stoppages, which is not helpful to the development of deep processed products and the production of high value-added products, thereby affecting improvements in the standards and grades of China's textile industry. Thirdly, it is not helpful to expanding textile product exports. On the one hand, because with prices too high, increased export costs, and foreign trade enterprise losses, exports must be reduced. On the other hand, because China's cotton products are priced higher than any foreign firms can accept, customers are lost and markets are lost, with unfavorable consequences for future Chinese textile exports. Fourthly, the sharp increases in textile prices pull up raw material prices, causing raw material prices to be out of control, leading to confusion in the domestic cotton market and the extremely serious situation of mixing authentic and false and prices, and raising them indiscriminately. Poor-quality, high-priced raw materials affect product quality and damage production equipment, creating economic losses that should not be.

In view of the above points, I believe that, proceeding from the perspective of promoting the long-range development of China's textile industry and expanding the foreign exchange earned from textile exports, we should adopt the following measures:

First, while changing the current textile export system to place all foreign trade enterprises on the same "starting line," we should establish a "unified external" viewpoint, with the selling price centrally coordinated by the state department in charge. There needs to be macrocontrol of the domestic price of major categories of commodities to guard against sudden rises and sudden falls to stabilize production and exports.

Secondly, continue to reduce the scale of textile production and weed out obsolete and backward equipment, shutting down factories with backward administration to make the scale of the textile industry fit the market demand. This, on the one hand, will help to improve product quality and grade and improve the competitiveness of Chinese cotton textile products on the international market; and on the other hand, by reducing production and limiting prices, it can maintain cotton textile product prices at a rather reasonable level.

Thirdly, strengthen the administration of the raw material market, especially the administration of the cotton

market. This point is especially important when raw material supply is inadequate for the demand. Cotton is the "staple" of the textile industry. Whether cotton prices are high or low and whether quality is good or bad, has a direct impact on the entire textile industry. So, when there is a rather large cotton deficiency, it is imperative that the state adopt strong administrative measures to guarantee the supply of cotton. Only in this way can textile prices be stabilized, making it more favorable for the development of the deep processing enterprises.

Finance & Banking

Chairman Views Tasks of Bank of China in 1995

HK1201144895 Beijing ZHONGGUO XINWEN SHE
in English 1238 GMT 11 Jan 95

[FBIS Transcribed Text] Beijing, January 11 (CNS)—Mr. Wang Qiren, chairman of board of directors of the Bank of China speaking at a conference attended by presidents of the Bank's branches being held here, said that the Bank had set its tasks for this year as follows: it will continue reform on its foreign exchange system, further improve its new foreign exchange management system, gradually transfer the Bank into a state-owned commercial bank, shift its operational mechanism, perfect its internal management and strengthen supervision over check-up and settlement of accounts in order to gradually form a scientific, systematic and high-efficiency management system. The Bank will at the same time expand its business in a sustained way and pay much attention to its business quality and economic efficiency.

In terms of foreign exchange system reform, the Bank plans to place emphasis on the following aspects. The Bank will further perfect its procedures for foreign exchange settlement and sale, improve its statistical method for foreign exchange revenue and expenditure and separate its business of settlement and sale of foreign exchange for trade from that for non-trade and that for capital accounts. Issuance of loans in renminbi will be tightened to those enterprises which have a considerable sum of foreign exchange in the Bank. In order to prevent international capital from flowing into the Mainland of China for arbitrage, the Bank will make efforts to timely recoup foreign exchange loans and handle well relevant work after cancellation of foreign exchange quotas.

In terms of improving its internal management, the Bank plans to focus its work on the following aspects: First, it will further improve its management over issuance of loans so as to minimize risks. Second, it will strengthen its management on accounting affairs. Third, it will implement a target responsibility system of heads of its departments and branches during term of office. Fourth, it will further improve its coordination of, administration over, guidance to and supervision on business. Fifth, it will intensify administration over its branches and sixth, it will tighten financial discipline to fight

against the overstepping of authority and illegal issuance of inter-bank loans in order to standardize business behavior.

In terms of development of its business, the Bank will, in line with the demand of national economic development and relevant policy enacted by the People's Bank of China, offer more loans to the state's key projects and export-oriented enterprises and those enterprises with better economic efficiency and fast capital turnover. It will also give financial assistance to the technological upgrading of enterprises. It will reduce its credit loans while increasing its loans on mortgage. The Bank will take a strict attitude in withdrawing its loans issued to those enterprises which have misappropriated working capital for trading real estate and stock or in fixed assets investment. It plans to expand the range of service and boost various kinds of businesses. In addition, it will continue its efforts for issuing the state's treasury bonds and promoting its international settlement business.

Bank Official Explains Interest Rate Hike

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Chinese 1033 GMT 31 Dec 94

[FBIS Translated Text] Beijing, 31 Dec (XINHUA)—The People's Bank of China [PBC] has decided to raise the annual interest rates on loans to financial institutions by an average of 0.24 percentage points, starting 1 January 1995. Financial institutions will accordingly raise the annual interest rates for investment loans on fixed assets by an average of 0.72 percentage points. A reporter has interviewed PBC Vice Governor Dai Xian-gong on the readjustment of interest rates.

Question: Why does the PBC raise the interest rates?

Answer: PBC loans, known as re-loans [zai dai kuan 0375 6313 2949] for short, are extended to financial institutions, and they are an important source of funds for the loans extended by financial institutions, particularly the Industrial and Commercial Bank, the Agricultural Bank, the Construction Bank and the Bank of China, to their customers. The amount of PBC loans and their interest rates can affect the ability of financial institutions to extend loans, and thus, regulates the money supply in the society and affects commodity prices.

In 1994, China successfully started major reforms of its fiscal and taxation, banking, investment, pricing, foreign exchange, and foreign trade systems, and the national economy showed a good momentum for development. However, retail price indexes, particularly those of the food category, registered excessive increases. The most important task of 1995 in macroeconomic regulation and control is to curb inflation. In curbing inflation, it is necessary to adopt economic, legal, and administrative means in a coordinated way. On the part of the central bank, it is necessary to adopt a money policy that is moderate but on the tight side. For this reason, the PBC,

with the State Council's approval, decided to raise properly the interest rates on loans to financial institutions in accordance with the Central Economic Work Conference's guidelines. Financial institutions are expected to raise the interest rates on some loans to their customers. Although the readjustment of interest rates this time is not large in scale, it sends an important message on the central bank's moderate to tight money policy. So, it is conducive to reducing investments in fixed assets, curbing inflation, and supporting productive activities with good economic returns.

The current readjustment of interest rates is different from those of the past. In the past, the central bank emphasized readjusting the interest rates on the loans and deposits handled by financial institutions; while this time, the central bank first readjusted the interest rates of re-loans, and financial institutions will readjust the interest rates of some loans extended by them. This was a reform in which the central bank made use of interest rates to regulate money supply and demand.

Question: Why is it necessary to raise interest rates on fixed asset loans and, at the same time, remove the variable prime rates of loans for certain trades' capital construction?

Answer: The excessive growth of fixed asset investments is one important cause of commodity price increases, and this growth has led to excessive growth of total demand. While the excessive growth of fixed asset investments has been initially controlled and the growth is declining, controlling the size of fixed asset investments remains a formidable task due to the large investment base and the numerous on-going, unfinished projects. This being the case, after the PBC has raised its discount rates, all financial institutions will, beginning on 1 January 1995, appropriately raise the interest rates on their fixed asset investment loans in an effort to gradually change the longstanding situation where the interest rates on fixed asset loans have been low, and to further control the excessive growth of fixed asset investments. Fixed asset investments cannot be effectively controlled simply by raising loan interest rates, we must also continue to restructure management of investments and use all economic and administrative measures to change the mechanisms whereby fixed asset investments have caused undue pressure on capital use.

In 1986, state banks began to provide preferential loans to key construction projects launched by 13 trades—including coal, electricity, oil mining, energy conservation, and railway—by cutting the interest rates on normal fixed asset loans by 10-30 percent. The move has played an important role in supporting the development of these trades. After many years of reform and development, these trades have undergone significant changes, and most of them have set their prices and service charges according to their operating principles and under the state's supervision. For three-year loans on which variable interest rates are charged, financial

institutions find it hard even to sustain the lowest level—8.64 percent annual interest rate. After replacing the variable interest rates on loans for the 13 trades' capital construction projects with a flat interest rate, banks will, under similar conditions, continue to provide priority support to the aforementioned trades. The newly established National Development Bank will provide these trades with positive support. For certain key state projects, relevant departments may give them a discounted interest rate according to regulations.

Question: Why is it that the interest rates adjustments will not affect the interest rates on savings accounts of people and units, as well as the interest rates on loans for working capital?

Answer: The interest rates issue has been a hot topic of discussion among the people for some time. People have been demanding higher interest rates, especially interest rates for savings. Because of price increases, the interest yielded by savings accounts have a negative return, even though they are seemingly quite high. Following the two interest rate adjustments for savings accounts, the annual interest rate for one-year savings accounts has reached 10.98 percent. Compared with the interest rates of foreign currencies, the renminbi's interest rates are already quite high. Moreover, the state has instituted a system of insuring the value of the three-year or longer savings deposits. Savings are banks' main source of capital, and raising interest rates will certainly increase their cost of raising money and will certainly lead to higher interest rates on loans. Currently, most Chinese enterprises count on loans for their production and operations, and enterprises' average profits are low. This is especially true for state-owned enterprises, whose problems are quite significant. If the interest rates on loans for enterprises' working capital are raised, the cost of enterprises' production and operations will certainly be higher and commodity prices will also be higher. This is why no adjustments will be made for the interest rates on savings of people, enterprises, and institutions, and the interest rates on working capital loans. To deal with negative interest rates for savings accounts, we should primarily count on curbing commodity price increases, not through raising interest rates on savings and loans.

Question: What are the changes in interest calculations after the discount rates and the rates of fixed asset loans have been adjusted?

Answer: While readjusting the interest rates, we have also changed the way of calculating the interest on all loans, including loans for working funds, fixed asset loans, and re-loans. With the day on which interest rates are adjusted as the demarcating line, the interest on all new loans extended on and after that day will not be calculated progressively, in case interest rates are readjusted. Interest rates will be calculated according to the rates quoted by banks on the day when the loan contract is signed. The interest on all loans extended before that day will still be calculated on the basis of the old rates

until repayment is due. After contract terms expire, interest will be calculated according to the interest rates on loans quoted on that day. This is to say that old interest rates will be applied to old loans and new interest rates will be applied to new loans. The new way of calculating loan interest rates will simplify calculations, eliminate differences between calculating old loan interests progressively and calculating savings accounts' simple interest rates, unify the methods of calculating interest rates for savings accounts and loans, and gradually make them conform to international norms.

Question: How great of an impact will the forthcoming interest rate increases on fixed asset loans have on enterprises?

Answer: The interest rate increases on fixed asset loans will not affect enterprises significantly. First of all, the scope of the adjustment is quite small. The adjustment only applies to the interest on fixed asset loans, and does not apply to loans for working capital, which accounts for more than 70 percent of the money borrowed from state banks. Second, the extent of the adjustment is also quite limited. After the interest rates on fixed asset loans have increased an average of 0.72 percentage points, the interest rates on all loans borrowed by specialized national banks will only increase by an average of 0.15 percentage points. Third, owing to the new way of calculating interest rates, the adjustment will only affect those loans extended after 1 January 1995, and there will be no additional interest charged on loans borrowed prior to that day. Because of these three major reasons, the interest rate adjustment will be good for controlling fixed asset investments, but will have little effect on most enterprises.

Question: Are there any problems with the current system governing interest rates and the management of interest rates? What course will interest rate reform follow in the future?

Answer: Following the development of China's economic reform, and especially the financial system's reform, the PBC has reformed the system governing interest rates and the management of interest rates in many ways. During the 1979-1994 period, the PBC has adjusted the interest rates on savings accounts 12 times and adjusted the interest rates on loans 13 times. It has restructured the types and grades of interest rates, unified the interest rates of individual depositors' and enterprises' savings accounts, graded the interest rates on loans according to their lengths, and established a system under which interest rates are set by the central bank. The management of interest rates, which used to be highly centralized, has experienced two stages in which the authority of floating interest rates has been delegated to banks and a new system of managing interest rates has been established.

However, China's interest rate reform is still at a preliminary stage. Interest rates are, on the whole, on the low side, the interest rate structure is not entirely rational,

and the control of interest rates is too centralized. Thus, in accordance with the guidelines laid down in the CPC Central Committee and State Council decision on reforming the financial system, and following the development of price, investment, and enterprise reforms, interest rate reform must continue. Rational interest rates should be set on the basis of equalizing capital's profit ratio, and they should be readjusted flexibly according to the state's monetary and credit policy. The relationships between the interest rates of all types of savings, loans, and negotiable instruments should be rationalized so that interest rates will be more rationally structured. The margins between savings and loans should be rationally adjusted in accordance with the principle that interest rates must reflect the length of terms, costs, and risks. The supervision over fiscal affairs must be tightened, and acts of raising interest rates against regulations must be strictly banned. As for the management of interest rates, we should explore a way in which the central bank can gradually replace its direct control with indirect control—a way that conforms to the development of our socialist market economic system—so that the interest rates in the market will eventually be based on the rates set by the central bank.

***Article Calls For Central Bank Role for PBC**

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18 Nov 94 p 5

[Article by Zhao Haikuan (6392 3189 1401): "People's Bank of China Should Exert Even Greater Efforts in Transforming Itself Into A Genuine Central Bank"]

[FBIS Translated Text] The People's Bank of China [PBC] has taken some important steps and made remarkable progress in turning itself into a central bank. However, as of now, it has not yet become a genuine central bank. It still needs greater efforts to carry out reform and transformation.

I. Tremendous Progress Made by People's Bank in Transforming Itself Into Genuine Central Bank

To transform the People's Bank into a genuine central bank is one of the important targets in reforming China's banking system. Prior to the reform of the economic system, China had only one bank—the People's Bank of China. It not only shouldered the responsibility for issuing money, regulating circulation of currency, insuring the stability of currency value, and maintaining a good financial order, but also handled banking businesses such as deposits, loans, and foreign exchange for various enterprises, undertakings, government institutions, and individuals. The reform and opening up program started in 1979. It was at that time that the Agricultural Bank of China was established to handle banking businesses in rural areas, and the Bank of China was set up to handle foreign exchange business only. Thus, the number of financial institutions which handle general banking businesses increased, and the PBC handled less of this sort of business. Hence, it had added

work in controlling financial institutions and regulating the scale of loans. Its role as the central bank increased. During this stage, although the PBC ascended to the throne of the central bank and began to play this role, it remained the most important operator in handling general banking business in China. Its position as the central bank was quite weak. When it performed its functions as the central bank and supervised other financial institutions in handling general banking business, it was often being supervised by others. Particularly in trying to solve business problems among banks, it often became one side of the contradiction. It could not detach itself from the contradiction and solve the problem on time.

In order to expand the business of extending loans to industrial and commercial circles, strengthen the position of the PBC as the central bank, and further heighten effectiveness in exercising macroeconomic regulation and control, the State Council decided to establish the Industrial and Commercial Bank in 1983 to handle general banking business which were originally administered by the PBC so that the latter may function as the central bank alone. This greatly raised the status of the PBC as the central bank. Nevertheless, during that period, it was unable to bring into full play its role in exercising macroeconomic control and regulation and to completely separate itself from any profit-making motive, because it still retained the function of handling special-purpose loans and it had not concentrated on the work of exercising macroeconomic control and regulation. Besides, some institutions under its administration ran enterprises intended to make profits. It was unable to draw a clear line of demarcation with its role of profit-making and bring into full play its role of exercising macroeconomic regulation and control.

The "Decision" adopted by the 3d Plenary Session of the 14th CPC Central Committee had further stipulated that "as the central bank, the PBC, under the leadership of the State Council, should implement monetary policies independently. It should control the money supply and stabilize currency values. It should supervise and control various types of financial institutions and maintain financial order, and no longer handle business with non-financial institutions." After that, the State Council once again stipulated that the PBC must dissociate itself from those enterprises which are aimed at making profits. Conditions have been created or are being created for implementation of this stipulation. After all of these stipulations are implemented, the PBC will become a genuine central bank.

II. Major Impact of Turning the PBC Into a Genuine Central Bank

Turning the PBC into a genuine central bank has the following major impact on development of China's economy and the banking industry:

1. It strengthens macroeconomic control and regulation. Following the gradual establishment of a socialist market

economic system, it has become more and more necessary to strengthen macroeconomic regulation and control in order to ensure the sustained and rapid development of the national economy under the condition of a stable currency value. The state bank is the most important institution of the state in exercising macroeconomic regulation and control aimed at achieving an equilibrium of aggregate social supply and demand and the stability of currency value and commodity prices. The so-called social supply represents all kinds of commodities that the society is able to come up with and sell on the market, while the total demand of society means the social purchasing power which is reflected by currency. In a fiscal year, social purchasing power is equivalent to the amount of money on the market multiplied by the number of turnovers. All currency, including cash and money for transfer raised on this basis, is interchangeable in bank funds mainly in the form of bank loans. Prior to becoming the central bank, the PBC played a dual role of issuing money and carrying out major banking business activities. When the issuance of money becomes a part of banking business activities, it is difficult to control the flow of money. Since the PBC extends loans and accepts deposits, there is no reason for it to prevent loanees or depositors from withdrawing money from the bank. If the bank grants more loans without any new funding resources, it will have to put more money into circulation. Since the PBC handles both loan business and the issuance of money, loans are backed by the issuance of money, and money is always available for loans, it will be quite easy to create a phenomenon of excessive loans and money in circulation. After the PBC devotes itself to performing the functions of the central bank and becomes a genuine central bank, it will mainly exercise macroeconomic regulation and control. At that time, general banking business will be handled by state-owned commercial banks or other financial institutions. The PBC merely decides its own loans and the amount of money supply, while state-owned commercial banks and other financial institutions decide how to use their funds according to their own available funds. Thus, it will be possible for the PBC to separate general banking business from the issuance of money and establish an effective mechanism to exercise macroeconomic regulation and control.

2. It will help gradually invigorate China's banking industry. When the PBC not only bears the responsibility of exercising macroeconomic regulation and control, but also needs to handle general banking business, it has relaxed its efforts to control the flow of money. However it has imposed more restrictions on general banking business. It has had a negative effect on the banking industry. Some loans should be granted from the point of view of a commercial bank, but they are turned down because of the requirements laid down by the policy for macroeconomic regulation and control. As a result, loans have to be denied. At that time, the two functions of the PBC—macroeconomic regulation and control and general banking business—restrain and interfere with each

other. Neither of the functions can be performed well. When the PBC becomes a genuine central bank, it can effectively carry out the task of exercising macroeconomic regulation and control, while other major state-owned banks may gradually cast off responsibility for exercising macroeconomic regulation and control and transform themselves into state-owned commercial banks. As long as they do not run counter to the policy of macroeconomic regulation and control, they may boldly compete with one another to truly invigorate the banking business. This will create conditions for China's banking industry to join the world-class banking industry.

3. It will help establish a modern banking system in China. In order to meet the requirements of developing a market economic system, China has already changed the situation in which there was only one bank in the country and is building and improving the banking system with the central bank as the core, the state-owned commercial banks as the main body, and other financial institutions in a supplementary role. Being a genuine central bank, the PBC not only fits into this system as an important component part, but also creates conditions for other parts of the system to take shape. If the PBC does not become a genuine bank devoting itself to performing the various functions of the central bank, it will be difficult for other major state-owned banks to cast off their original tasks in exercising macroeconomic regulation and control and transform themselves into state-owned commercial banks. Meanwhile, without a central bank's effective macroeconomic regulation and control and its supervision and control of the financial order, it will be impossible for the state to develop boldly the various types of financial institutions and to invigorate the banking industry. In short, it will be impossible to establish the banking system which is needed for the normal development of the socialist market economy.

III. Existing Problems in Transforming the PBC into a Genuine Central Bank

As of now, the PBC has concentrated its efforts on performing the functions of a central bank, but there are still some problems in meeting the requirements of a central bank. The crux of these problems is the creation of subjective and objective conditions for "implementing monetary policies independently under the leadership of the State Council."

1. Major state-owned banks still monopolize the supply of money. For many years, state finance has stopped allocating operating funds to state-owned enterprises. Such enterprises rarely take out a portion of their revenue as circulating funds. They entirely rely on major state-owned banks to solve this problem in the form of loans. The major state-owned banks thus grant loans to state-owned enterprises according to state regulations and plans. Therefore, they naturally ask the central bank to supply the money they need. Actually the central bank also has no decision-making power in granting loans and putting money into circulation. This problem is rather

prominent. Right now, some state-owned enterprises are not doing well in business, and they are short of money. In order to help develop a modern enterprise system and accomplish a smooth transition to the socialist market economic system, the government stipulates that banks must grant loans to deficit-ridden state-owned enterprises and even permits some of them to use bank loans to pay wages. Right now, there is an obvious inflationary trend. The central bank bears responsibility for stabilizing the circulation of money. It should not grant more loans. However, it still has to provide the various major state-owned banks with the money which they need to fund the aforementioned loans.

2. The government still has powerful influence in granting loans. The decision adopted by the 3d Plenary Session of the 14th CPC Central Committee pointed out: "Government functions in economic management consist mainly of devising and implementing macroeconomic control policies, appropriate construction of infrastructure facilities, and creation of a favorable environment for economic development." However, right now the government is far from being able to accomplish this point. The central government still exercises macroeconomic regulation and control, while it is also in charge of carrying out microeconomic operation. In the supply of money, it has the final say in helping large and medium-sized state-owned enterprises solve their fund shortage problems, and it directly holds the power to control state-owned banks in granting loans. Our experience proves that the government has the responsibility to satisfy the needs of enterprises for money, but it also has the right to order banks to supply this money. Although this makes it easy to solve the problem of money, it will be difficult to curb inflation. Under this system, the government may freely order banks to increase their loans when enterprises badly need money. It makes the banks put more money into circulation and adds fuel to inflation.

Right now, local governments can also affect the funds of the central bank and its money supply. This is even more harmful to preventing or curbing inflation. Local governments are elected by local people. Naturally they seek to develop the local economy and strive to do something good for the people. However, on the other hand, the money market is an integrated one in the country. All the people in the country suffer losses when more money is put into circulation in one locality, touching off or aggravating inflation and pushing commodity prices up. Meanwhile, local governments tend to develop more local construction projects and accelerate economic growth, but they pay little attention to the negative effect produced by inflation. They often believe that preventing inflation and ensuring the stability of currency value are things the government should take care. Local governments can directly affect the funds of the central bank and its money supply. Their desire to quickly develop the local economy can easily cause overheating in the national economy and bring about inflation in the country.

3. Branches have not become genuine agencies of the head office. For a long time, the branch offices of the PBC have always been set up according to administrative regions. A grade one branch is set up at the provincial level, a grade two branch at the prefectural level, and a sub-branch at the county level. These branches and sub-branches receive dual leadership from the respective offices of the bank at the higher level and the local governments. Most cadres of these branches and sub-branches are local people. They are inseparable from the local politics, economy, and culture. This is why the local governments can affect the funds of the central bank and its money supply. There is no significant change in this situation even at present. If this situation does not change, and when the local interests run counter to the national interests, it will be difficult for the branches and sub-branches to ignore local interests and the views of the local government and to wholeheartedly safeguard the overall interests and closely coordinate with the head office in exercising macroeconomic regulation and control.

4. Mechanisms for macroeconomic regulation and control are still not sound. To become a genuine central bank, the PBC must abide by the decision adopted by the 3d Plenary Session of the 14th CPC Central Committee to "control the money supply and stabilize currency values by changing from relying mainly on the control over the scale of credit to using such means as reserve ratio on deposits, the central bank's lending rates, and open market operations." However, as of now, the PBC has not cast off the responsibility of providing the major state-owned banks with the funds that they need, and the reserve ratio on deposits has little effect in controlling the scale of credit and the size of the money supply. If the reserve ratio on deposits is raised, there will be less deposits which can be used by the major state-owned banks. If the banks fail to fulfill the task of covering loans given by the state, the PBC must duly increase its loans. Meanwhile, due to the fact that major state-owned banks have not yet become commercial banks and that they are not completely business-oriented, they have not paid full attention to cost or profit. The central bank's lending rates have little effect on loans and the size of the money supply. The raising of lending rates will not prevent major state-owned banks from borrowing money from the central bank. Meanwhile there are no open market operations in China, although such operations are common in Western countries. Thus, right now, the PBC still has to rely on the scale of credits and other administrative measures to regulate and control credits and the size of the money supply.

IV. How Can We Turn the PBC Into a Genuine Central Bank

The way to transform the PBC into a genuine central bank has already been decided by the 3d Plenary Session of the 14th CPC Central Committee. Then how can we achieve this transformation? In view of the existing problems at present, we must carry out the following tasks:

1. Turn major state-owned banks into commercial banks as soon as possible. After policy-related banks are established, and after they have basically taken over the various jobs of policy-related business, major state-owned banks should work hard to transform themselves into commercial banks following development of the modern enterprise system. They should regard funds as a commodity for buying or selling and profit making as one of the major objectives of its business operations. They should be able to manage their own business, assume sole responsibility for profits and losses, take their own risks and build a mechanism of self-restraint. They should become banking enterprises which maintain a proper asset liability ratio. In other words, they should grant loans on the basis of available funds. Thus, the central bank will be able to cast off responsibility for providing funds to the major state-owned banks, and control the amount of loans and money supply based on the requirements of exercising macroeconomic regulation and control.

2. Help the government change its functions. Local governments should adhere to the decision adopted by the 3d Plenary Session of the 14th CPC Central Committee and concentrate their efforts on "formulating regional regulations, policies, and plans in accordance with state laws and regulations and macroeconomic policies, regulating economic activities in areas under their jurisdiction by local taxation and budgetary measures, and making full use of local resources to promote economic and social development in their respective areas." They will no longer directly join the state in exercising macroeconomic regulation and control. They will not help the state issue money, determine the benchmark interest rate, and regulate the exchange rate. For many years, local governments have exercised leadership over the PBC. This has already formed a kind of traditional concept and practice. In addition, the central bank is a source of money. Naturally the local governments will be reluctant to change its functions and give up this kind of leadership. However, without this kind of change, it will be difficult for the state to strengthen its macroeconomic regulation and control and to control the money in circulation. As a result, the development of the socialist market economic system will be delayed.

In doing economic work, the central government should direct its attention to macroeconomic regulation and control and gradually reduce interference in enterprise production and management activities and specific bank loan business. Under the condition of the socialist market economy, activities in the microeconomic sphere will be regulated mainly by the market. When an enterprise needs money, it should, first of all, negotiate with the bank where it maintains an account. If the bank cannot satisfy all its needs, it may consult with other banks. If all the banks cannot satisfy its needs, it may also raise its funds on the money market. It cannot seek help from the government. Nor should the government do anything in this connection.

It is for this reason that we must further invigorate bank, and expand and standardize the money market. It is essential to increase the number of necessary banks and encourage financial institutions to compete with one another. Banks should be allowed to select enterprises, while enterprises should also be allowed to select banks. We should increase the amount of stocks and business bonds on the market, and introduce and create a new form to make things easy for enterprises to participate in various activities of the money market. We must add more channels to help enterprises obtain financing so that those enterprises which engage in normal business operations may still raise the funds they need after the government stops helping enterprises raise funds.

3. Rationally adjust the branches and sub-branches of the PBC while strengthening macroeconomic regulation and control. In order to implement monetary policies independently under the leadership of the State Council, the PBC must do away with its traditional practices and set up branches and sub-branches according to the economic zones. It is necessary to further clarify that the branches and sub-branches of the PBC are its agencies under its vertical leadership so that they may completely base themselves on China's overall interest and even more resolutely implement head office credit and money policies. There are more problems involved when they implement such policies. They should be well prepared.

The PBC should also thoroughly shake off thoughts of profit making, because such thought runs counter to its task of exercising macroeconomic regulation and control. All activities of the central bank must proceed from its desire to strengthen macroeconomic regulation and control and ensure the stability of currency values while accelerating economic development. All institutions under its administration must be determined to separate themselves from the enterprises they run. They should rely on the state to rationally solve problems regarding the well-being of their worker.

4. Improve the mechanism for macroeconomic regulation and control. The role of the means of regulation and control used by the central bank, such as the reserve ratio on deposits and the lending rate, will naturally be strengthened with the establishment of the modern enterprise system, the transformation of the major state-owned banks into commercial banks and the change of government functions. We should also take immediate actions to develop open market operations. This practice will directly increase or decrease the amount of currency on the market. It is one of major means for macroeconomic regulation and control used by the central banks of various Western countries. China has never had such operations before. Now the central bank should develop such open market operations as soon as possible on the basis of the decision adopted by the 3d Plenary Session of the 14th CPC Central Committee to heighten the effects of exercising macroeconomic regulation and control.

*Article Proposes Linked Banking, Enterprise Reforms

95CE0167A Beijing ZHONGGUO GAIGE [CHINA REFORM] in Chinese No 10, 13 Oct 94 pp 11-13

[Article by Zhang Junli (1728 6511 4539): "Coordinated Banking and Enterprise Reform To Build a New Banking-Enterprise Relationship"]

[FBIS Translated Text] Enterprise reform focused on building a new enterprise system stands in a very close interdependent relationship to financial-system reform involving conversion of special banks to commercial banks. In China, most state enterprises are dependant on bank loans for production and operation. In light of this status quo, if we allow all losing enterprises to go bankrupt, a huge amount of bad-debt funds would cause a banking breakdown, which would create social instability. But if banks act on the principles of efficiency and risk, refusing loans to all losing enterprises, nearly one-third of our [state] enterprises would stop operation, which would similarly cause a corresponding social problem. So we need to actively and safely coordinate enterprise reform with financial reform, to build a new banking-enterprise relationship.

Funding Problems Are a Common Difficulty of Banking and Enterprise Reform

In modern market economy terms, banks and enterprises need to be market-oriented with profits as their objective, converting from the traditional fund supply system to a contract-type debtor-creditor relationship. In this conversion process, the crux of the banking-enterprise relationship—funding—is the bond linking banks to enterprises, as well as a common difficulty of enterprise and banking reform.

Special banks are heavily burdened. Due to instability in China's economic development and the need to adjust our industrial structure, plus abnormal administrative interference in bank lending, banks lack lending autonomy, with ordered lending occurring repeatedly. In addition, the government has adopted a preferential policy of slanted lending, with state industrial enterprises sustaining severe losses, and many enterprises' capital profit rates being lower than their loan interest rates, which makes special bank lending quality very poor. A rough estimate shows that of the 2.4 trillion yuan of special bank credit inventory, nearly 400 billion yuan is idle, or about 16.7 percent, and in some cases even over 20 percent. Meanwhile, most special bank loans are fiduciary loans without collateral or security, which adds to fund risk and management difficulty, slowing credit fund turnover and lowering capital efficiency. This makes it hard for bad-debt reserve funds to absorb existing bad-debt losses, leaving state investment also faced with fund shortage difficulties.

Enterprises are finding it hard to evolve self-development operating forces. In our traditional system,

enterprises were faced with low depreciation and high profit and tax burdens, leaving them with very little accumulation. Since the 1983 "change from appropriation to lending," the state has essentially not poured capital funds into existing state enterprises, to the extent that even a group of enterprises established without capital funds and completely dependent on loans have appeared. And the tightening of our national credit scale has also very quickly resulted in a working capital shortage, adding to the number of enterprises that have stopped or mostly stopped production. Practice has proved that the dependent relationship of enterprises to banks cannot be basically improved in the short term.

The Fundamental Line of Thinking on Coordinating the Two Reforms

Coordination of the two reforms should be aimed at establishing a new banking-enterprise relationship suited to our socialist market economy, starting with resolving the difficulties in the banking-enterprise relationship, and proceeding in a positive and safe manner.

Standard commercial bank operating forces are "triple" balanced ones, grounded in security, ensured by liquidity, and aimed at making profits. The standard modern business operation form means pushing enterprises toward the market, and changing the enterprise behavior model of being subordinate to government, so that enterprises strive to survive and grow through market competition. The basic model of the new banking-enterprise relationship is:

1. The essence of the banking-enterprise relationship is equal corporate relations.

Both commercial banks and modern enterprises are business corporations that independently enjoy civil rights and assume civil obligations. Their relationship formed through operation is a contract relationship, with their actions subject to market regulation and legal norms.

2. The orientation of the banking-enterprise relationship is their respective profit objectives.

Commercial banks in market operations are economic entities with the sole liability for both their profits and losses. Their operating objective can only be profits through optimizing their lending orientation, adjusting their credit structure, raising their asset quality, and lowering their asset risk. And enterprises are no exception, in that they also need to act in line with market economy demands by being profit-oriented and striving for survival and growth.

3. The form of banking-enterprise dealings is selected action.

Business dealings between banks and enterprises exist in the midst of many competitive players, with banking-enterprise fund transactions being mutually selected actions, in which deals are concluded only when both

parties are satisfied with their own anticipated returns. Capital invariably flows to high-yield fields. This negates the traditional system's "political-achievement motivation" and profit through self-soft-restraint competition."

4. The environment of the banking-enterprise relationship is the market.

Special banks and enterprises developed under our planned system, had their fund, loan, and financial management and organizational systems and establishments all set by planning. The crux of the banking-enterprise relationship—funds—were dispensed by plan. But commercial banks and modern businesses are subject to market regulation, with their funding sources dispensed through the market. This means that banks and enterprises need to be able to respond flexibly through means such as the inherent force of striving for efficiency, sound risk-prevention mechanisms, and the ability to maintain their assets legally.

5. The regulatory means of the banking-Enterprise relationship is interest rates.

In our traditional system, the banking-enterprise relationship was regulated by government in a rationing form. But fund supply and demand between commercial banks and modern businesses is balanced through interest rates. When the fund supply is tight, interest rates rise, and when fund demand drops, interest rates fall, successively regulating and affecting overall economic operations.

As both the conversion of special to commercial banks and the establishment of a modern business system are gradual processes that cannot be accomplished all in one step, they need to proceed safely in a planned and step-by-step way. In short, two issues need resolution:

1. We need to deal correctly with already-formed bad bank creditor rights.

The bad creditor rights of China's special banks are already at a point where the state cannot ensure them, banks cannot assume them, and enterprises cannot absorb them.

Because whether funds are being dealt with correctly is a major matter affecting banking-enterprise reform and development, it needs to be handled extremely carefully. Because our history of bad creditor rights formation has specific causes, making any single party liable for it would be unfair, so we need to look at each case, clarifying liability, and sharing it rationally.

As to the role of government, the policy-related part should be transferred directly to a policy bank, to be gradually absorbed in future by state revenue. With regard to debt formed through the change from appropriation to loans and capital construction principal, the enterprise part that conforms to state industrial policy and truly needs priority support should be converted to investment in line with national needs to become state

shares. Bad creditor rights formed through central "spot loans" for liquidating bonded debt that is definitely unrecoupable should be settled through central bank fund appropriations.

As to banks, the part formed through inaccurate project selection and policy errors should be examined and absorbed through already set aside venture funds. As to the normal operations part, bad creditor rights can be converted to property rights on a case-by-case basis, with banks setting up an independent investment agency to operate and manage them to ensure the integrity of state property.

With regard to enterprises, those with debts caused by poor operation that cannot be discharged when due can be put into bankruptcy through legal procedures, with bankrupt assets offsetting bad creditor rights in legal order. Enterprises sustaining severe losses can use the proceeds from property auctions and transfers to absorb bad creditor rights; or they can be dealt with by lessors or merges in forms such as enterprise mergers or leased operation; or through asset reassessment, appreciation can be used for partial repayment.

2. We need to form scientific investment and credit mechanisms suited to a market economy.

Because scientific investment and credit mechanisms are the minimum for building the new banking-enterprise relationship, to ensure lending and investment quality, we need to establish quality-oriented and optimized safeguard mechanisms.

A. We suggest that when enterprises set up investment deliberation committees, enterprise investment projects should be evaluated, with investment actions screened, to reduce investment blindness and stop nonmarketized investment actions. When banks set up tight and scientific lending evaluation test systems, they should establish separate internal restraint forces for auditing loans.

B. We should set up and apply a new accounting system combined with "the two principles," studying how to promote a scientific system for analyzing bank and enterprise asset operations. We need to set a red line and promptly reporting deteriorating circumstances to arouse the attention of policymakers, so that countermeasures can be studied promptly and remedies taken.

C. We need to establish complete venture guarantee and bad debt reserve fund systems, to ensure bank asset compensation from both internal and external sources. We need to avoid the wrong actions of compound collateral and securing enterprises on the verge of bankruptcy at the expense of sacrificing good enterprises, making our security and collateral more legal and reliable. We need to suitably raise the bad debt reserve fund rate, conscientiously applying it to loss compensation, and stopping diversion to other uses or covert seeking of departmental profits.

D. We need to establish a property rights transaction market in a step-by-step way. On experimental grounds, we need to engage in standard equity transactions, developing intermediate agencies, and experimenting with enterprises buying and merging with corporations, so that enterprises that make investment mistakes can promptly carry out equity sales to make up their losses, while avoiding idle bank loans, to reduce bank asset loss.

E. We need to give priority to experimental bank and enterprise bankruptcy and speed up bank and enterprise structural adjustment to achieve excellence. In the near term, we can use indexes such as deposit rates, bad debt rates, excess reserve rates, and liquidity rates, to evaluate the discharge capability of grass-roots banks, so that once a set standard is passed, they can be ordered to reorganize as an interim step in improving their operating circumstances. When the terms are ripe, we need to firmly carry out bankruptcy. As to enterprises, while bankruptcy is no longer a new matter, conditions are not yet ripe for full-scale bankruptcy, with certain issues still needing to be studied. We suggest setting up a state enterprise realignment fund to be used to purchase bankrupt enterprise assets for turnover. We could use forms such as auctioning, joint operations, and joint ventures, to increase enterprise capital fund input.

F. Equity player pluralization is a basic part of a modern business system, with the shareholding system being its most important form. Overseas economic development practice shows that the merging of financial capital with industrial capital is the coming trend. Moreover, such merging can lower lending and investment risk. In the short term, we can experiment with reciprocal share participation by founding a cooperative bank so that enterprises can experiment with banking. Then when conditions are ripe, we can increase our reform scale and dynamics.

G. We need to choose the right time to conduct interest rate reforms. The existence of negative interest rates is out of line with the principles of both fairness and efficiency, a market economy violation. In economic terms, when there is a capital shortage, low interest rates mean that the price of capital that is in short supply is too low, which undoubtedly adds to the fund shortage, while causing much waste. Practice also proves that credit quotas certainly cannot control the scale of investment. So we need to marketize interest rates, so that they genuinely reflect fund supply and demand, and can play an effective regulatory role.

Foreign Trade & Investment

Chen Huanyou Meets Sino-U.S. Trade Council Group

OW1201141795 Nanjing Jiangsu People's Radio Network in Mandarin 2300 GMT 11 Jan 95

[From the "Provincial News Hookup" program]

[FBIS Translated Text] Chen Huanyou, secretary of the provincial party committee, met with a U.S.-China economic and trade delegation in Nanjing on 11 January. The delegation was led by Ms. Carla Hills, vice chairman of the United States' National Council for U.S.-China Relations. Chen Huanyou discussed matters of mutual concern with the guests.

On behalf of the Jiangsu people, Chen Huanyou welcomed Carla Hills and her party on their visit to the province. He also recalled the warm hospitality he received from the National Council for U.S.-China Relations during his visit to the United States. He asked the delegation to relay his sincere thanks to the American friends.

The National Council for U.S.-China Relations is an influential, nongovernmental, and non-profit organization. Members include well-known figures in all parts of the country who maintain extensive cooperative ties with China.

Ms. Carla Hills and her party visited the provincial government on the morning of 11 January and paid a call on Vice Governor Ji Yunshi, who welcomed the American guests on behalf of the provincial government. Vice Governor Ji briefed the guests on Jiangsu's economic development.

Government To Enforce Trademark Laws

OW1201160295 Beijing XINHUA in English 1436 GMT 12 Jan 95

[FBIS Transcribed Text] Beijing, January 12 (XINHUA)—China handled some 12,000 trademark infringement cases last year, almost the same as for the previous year, but a decline of 18.8 percent from 1992.

Ten percent of the cases involved overseas business people and companies, said an official with the Trademark Bureau under the State Industrial and Commercial Administration.

The official said that the country this year will further enhance the enforcement of trademark laws and improve procedures for registering trademarks.

He said that China has established a trademark agency system, with 97 offices open across the country, including 17 specializing in foreign trademark registration.

Local governments have been urged to complete setting up of trademark administrations at county-level and above by the end of this year, he said.

The departments governing trademarks imposed fines totaling 22.5 million yuan (2.65 million US dollars) on violators during the first three quarters of last year, according to official figures.

Statistics also show that China handled 136,000 applications for trademarks in 1994, up 10,000 from the previous year.

Meanwhile, some 28,000 applications for trademark changes and 7,600 renewal applications were approved.

Last year also saw the recognition of 5,000 overseas trademarks which had been approved by the Madrid Agreement for International Registration of Trademarks, about 1,500 more than in 1993.

Shenzhen Campaigns Against Copyright Violations

HK1201134095 Beijing ZHONGGUO XINWEN SHE in English 1247 GMT 12 Jan 95

[FBIS Transcribed Text] Shenzhen, January 12 (CNS)—To combat infringements upon copyrights and to protect property rights, a large-scale campaign for thoroughly checking up those companies and units engaging in CD (compact disc) and laser disc publication, copying, import, wholesale, retail, renting and projection in Shenzhen [sentence as received].

This campaign is also carried out in other places in Guangdong Province with its focus being put on cities such as Guangzhou, Shenzhen, Zhuhai, Foshan, Chaoyang, Puning and Panyu. With help of the police, the Shenzhen Culture Inspection Team checked 21 sites including shopping malls in Shenzhen City. Some 4817 reproduced CDs, 664 reproduced cassette tapes, 458 reproduced laser discs, 462 reproduced video tapes, and a large number of reproduced computer soft discs and pornographic magazines. Meanwhile, some law enforcement officials have imposed their check on a laser optical system company at Bagualing in the city.

At present, the campaign for combating infringement upon copyrights and protecting property rights is now still underway.

Number of Foreign-Funded Firms Near 200,000

HK1201143995 Beijing ZHONGGUO XINWEN SHE in English 1237 GMT 11 Jan 95

[FBIS Transcribed Text] Beijing, January 11 (CNS)—By the end of October 1994, the number of newly registered foreign-funded enterprises was 10,371 and that was down 50.2 percent compared with the previous year. Among them, there were 5,943 joint ventures, 1,343 co-operative projects between local and foreign businessmen, and 3,085 enterprises that were funded solely by foreign capital. The total capital invested was US\$25 billion with the registered capital and amount of foreign funds being US\$15.97 billion and 10.7 billion respectively. These figures were down by 46, 47.7 and 44.8 percent respectively as compared with 1993. Despite that, the number of foreign-funded enterprises in China at that time was 197,922.

Amongst the newly registered foreign-funded enterprises, there were 7,072 industrial enterprises and the number had gone down by 49 percent as compared with the year before. Using a classification by nature of

industry, there were 305 (down by 41.9 percent) specializing in agriculture, forestry, animal husbandry, fishery and water conservancy; four engaged in geological prospecting (down by 42.9 percent); 343 in the building industry (down by 57.8 percent); 78 in the transport industry (down 49.4 percent); 891 (down by 51.2 percent) engaged in the commercial, catering, materials supply and warehousing sectors; 1,342 (down by 54.3 percent) engaged in the real estate, public utility, consultative service; 33 (down by 52.2 percent) engaged in hygiene, sports and social welfare; 162 (down by 50.9 percent) in education, culture, arts, radio and television sectors; 58 (down by 51.3 percent) engaged in scientific researches and technical services; two enterprises (same number as last year) in the finance and insurance sectors and 81 enterprises (down by 56 percent) in various other sectors.

The characteristics of development of foreign-funded enterprises are:

1. Most of the foreign businessmen who are investing in China prefer joint ventures or to rely solely on their own capital to finance the enterprises. As can be seen from the first three quarters of the year, the ratio of registered joint ventures was 59.1, 56 and 57.6 percent respectively whereas the number of pure foreign enterprises was 26.7, 30.5 and 29.7 percent respectively. The number of co-operative enterprises was falling by 14.1, 13.4 and 12.9 percent respectively as compared with the year before.

2. The number of large projects funded by foreign businessmen was increasing. Among the newly registered enterprises, there were 469 that had a capital of over US\$ 10 million and 19 whose capital was over US\$ 100 million. The total was 488 and this was higher than 450 and 445 of the corresponding periods in 1993. Such major investment projects included 232 industrial enterprises, 149 engaged in property management as well as enterprises in agriculture, forestry, animal husbandry, fishery, water conservancy, geological survey and prospecting, building, transport, commerce, catering, materials supply, warehousing, consultative service, hygiene, sports and finance sectors. Major enterprises whose capital each was over US\$100 million included one specializing in forestry, animal husbandry, fishery, water conservancy, eight in the industrial sector, one in the building sector, one in the transport sector, one in the commercial sector, five in property management sector and one in the finance sector.

3. The ratio of investment made by well developed countries was again rising. Among the newly registered foreign-funded enterprises, 909 were from the U.S.A. (8.5 percent), 373 from South Korea (3.5 percent), 333 from Singapore (3.1 percent), 147 from Germany (1.37 percent), 92 from Britain (0.86 percent), 42 from Italy (0.39 percent), 36 from France (0.34 percent) and 27 from Holland (0.25 percent). The amount of investment made by these countries last year was above that of 1993.

Foreign Trade Reaches \$236.7 Billion in 1994

HK1201145495 Beijing ZHONGGUO XINWEN SHE
in English 1346 GMT 12 Jan 95

[FBIS Transcribed Text] Beijing, January 12 (CNS)—According to the General Administration of Customs, the total value of import and export trade in China reached US\$236.7 billion in 1994, which had increased by 20.9 percent compared with the year before. The balance of trade had changed from a deficit of US\$12.2 billion in the year before to a surplus of US\$530 million.

The figures show that the proportion of the total value of import and export trade in the Gross National Product had increased from 38 percent in the year before to over 45 percent. This means the degree of reliability of the national economy on foreign trade has increased, and the national economy is further opened to foreign countries.

In 1994, the value of exports in foreign trade of China reversed the situation of low growth rate of the year before. Exports increased month by month; the development of exports in foreign trade was in good situation. This can be seen in the following aspects.

The structure of exports continues to improve. The export of industrial manufactured products increased by 34.9 percent. The export of mechanical and electronic products increased by 40.9 percent, which was higher than the growth rate of total exports.

The export of ordinary products increased rapidly, and the growth rate amounted to 42.5 percent. A high growth rate was maintained in major export products, showing strong competitive power. There was also a high growth rate in garments, toys and plastic products. While the exports in eastern coastal regions continued to increase, there was also a high growth rate in those of west and inland regions. The exports of 11 provinces and cities in eastern coastal regions increased by 34.2 percent; the exports of inner provinces in mainland regions increased by 24.3 percent.

Reasonable scale and growth rate were maintained in imports in 1994. The situation of excessive imports in 1993 had been adjusted effectively.

The structure of imports has been adjusted. The proportion of industrial manufactured products in the total imports decreased from 86.3 percent in the same period of the year before to 85.8 percent.

A high growth rate was also maintained in the import of some productive resources which were seriously lacking in Mainland China such as electricity, telecommunications facilities and so on. The import of paper pulp was 810,000 tonnes, which had increased by 56.7 percent. The import of cotton had increased greatly, from 10,000 tonnes in the year before to 500,000 tonnes. The import of telephone switchboards was valued at US\$1.81 billion, which had increased by 76.7 percent.

The status of enterprises of three types of investment, that is, joint ventures, co-operative ventures and solely foreign-invested enterprises, has become more and more important in foreign trade. Their total value of import and export trade increased by 30.7 percent, which was 37 percent of the total value of import and export trade in the whole country. The processing industry continued to grow rapidly, and its total value of import and export increased by 29.7 percent.

There was also an increase in the number of trading countries with China. In 1994, there were 221 countries and regions having trade with China. The largest trading partner was Japan, followed by Hong Kong, the United States, the European Economic Community, Taiwan and South Korea. Some of the countries in Latin America have become new trading partners.

Foreign Investment Taxation Sees Steady Growth

HK1301084195 Beijing CHINA DAILY in English
13 Jan 95 p 5

[By Gao Bianhua: "Foreign Taxes on Steady Rise"]

[FBIS Transcribed Text] China's foreign investment taxation saw "outstanding achievements" in 1994 in boosting overseas investment and ensuring steady growth of tax income as a result of year-long tax reform.

A senior government tax official made the remarks at a recent conference on foreign taxation held in Beijing.

Foreign tax income is expected to witness a fairly big growth in 1994 to make up around 8 percent of China's total industrial and commercial tax (ICT) revenue.

The State Administration of Taxation said China collected 451.3 billion yuan (\$53.09 billion) in industrial and commercial taxes in 1994.

In 1993, foreign investment tax was 20.6 billion yuan (\$2.42 billion), accounting for 7 percent of ICT income.

"Foreign investment tax has become an important component of the state coffers," the official said.

Officials attending the conference highlighted the following reasons for the foreign tax increase:

First, the number and production of foreign-funded enterprises increased.

By the end of September last year, China had approved a total of 208,700 foreign-funded firms, among which 150,000 firms registered in taxation departments, doubling the 1993 figure.

At the same time, actual foreign investment reached \$80.8 billion, which also proved that "the tax reform had promoted, rather than dampened, overseas investment to China," the senior official noted.

Additionally, the tax exemption period for some foreign-invested firms expired last year and they started to pay taxes.

The official said that with the stable transfer of the old and new tax systems, China's foreign taxation has become more consistent with international practices.

Under the new tax system, foreign-funded enterprises are subject to the unified turnover tax just as domestic firms, including value-added, consumption, and business taxes.

It contributed to putting competition between domestic and foreign firms on an equal footing.

"As a result, the country's investment climate for foreign investors has been upgraded," the official said.

For those foreign-funded enterprises which saw increased turnover tax burdens compared with that under the old system, the state will give tax refunds to them for up to five years.

"Therefore, the overall tax burden for foreign-funded firms decreased under the new tax system," the official said.

He added that, so far, more than 2.5 billion yuan (\$294 million) has been refunded.

In addition, China has officially signed agreements for avoiding double taxation with 40 countries. This is also a great impetus to further improve the country's investment environment and boost economic cooperation with other countries, tax officials said.

New Provisions Set Limits on Land Lease Duration

HK1201151095 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 0654 GMT 3 Dec 94

[FBIS Translated Text] Hong Kong, 3 Dec (ZHONGGUO TONGXUN SHE)—The State Land Administration Bureau has recently formulated new provisions on time periods for leased land, and the main contents are: The time period for land used for commercial, tourist, and entertainment purposes is 40 years; for land used for educational, scientific, cultural, sports, public health, industrial, comprehensive, and other purposes it is 50 years; and for land used for residential purposes it is 70 years.

The provisions also set demands on the orientation of foreign businesses investing in real estate. One is that once land-use rights are obtained, the land must be used for the stated project and must not be used otherwise; still less should it be transferred or resold to someone else at a profit. According to the provisions, investment projects must be internationally advanced and projects that are internationally obsolete cannot be initiated in China.

Plans For Pharmaceutical Joint Ventures Announced

HK1301063695 Beijing CHINA DAILY in English
12 Jan 95 p 2

[By Zhu Baoxia: "Quality Key in Medicine Joint Firms"]

[FBIS Transcribed Text] The state plans to set up more high-grade pharmaceutical joint ventures to manufacture patent medicines or substitutes for imported products, an official from the State Pharmaceutical Administration said yesterday.

The policy is to ensure that more top-quality medicines are produced domestically for both local consumption and export, said Huang Jiye, the administration's department director in charge of international cooperation.

Many of the pharmaceutical joint ventures currently operating in China are processing factories for foreign products.

Most of the materials are imported and most of the products are for domestic consumption.

The administration is drafting a national guideline on the use of foreign funds in the medical field for foreign investors interested in setting up joint ventures in China, Huang said.

The guideline is expected to be promulgated by the State Council this year.

According to the draft document, the State welcomes foreigners and compatriots from Hong Kong, Macao, and Taiwan to invest in the pharmaceutical industry.

But new ventures must conform to state laws and regulations as well as to the national programme for developing the medical industry.

New joint ventures must produce advanced medicines and patent products and a large proportion of their products should be exported, Huang said.

The administration encourages joint ventures to use domestically prepared raw materials and packing substances.

It also hopes that some large- and middle-sized state-owned enterprises will find cooperative partners to help upgrade their backward techniques and facilities, Huang said.

More than 1,000 pharmaceutical joint ventures have been set up across the country since the first one opened in 1980. Total foreign investment in the ventures is estimated at \$1 billion.

Among the joint ventures, some 750 are with firms from Hong Kong, Macao and Taiwan, 119 with U.S. companies, and 64 with Japanese.

Some 372 of the joint ventures manufacture Western medicines, 238 produce medical equipment and materials, and the rest make health products and traditional Chinese medicines, Huang said.

Chemical Industry's Exports 'Making Headway'

OW1201164795 Beijing XINHUA in English 1446
GMT 12 Jan 95

[FBIS Transcribed Text] Beijing, January 12 (XINHUA)—China is making headway in the export-oriented chemical industry, with export volume rising 9.5 percent to 8.2 billion U.S. dollars in 1994 from the previous year.

In addition, 57 chemical enterprises have gained annual export earnings of 10 million U.S. dollars each, said Gu Xiulian, minister of Chemical Industry, at a press conference here today.

In 1994, the ministry signed 16 joint venture contracts with foreign companies, with a total value of 167.5 million dollars, and the number of letters of intent was 23, with a total value of 1.047 billion U.S. dollars. In addition, the amount of foreign government loans and bank loans utilized in 1994 reached 480 million U.S. dollars, according to statistics.

This year, the amount of foreign exchange generated from exports of major chemical products, including chemical fertilizers, chemical pesticides, sulfuric acid, caustic soda, soda ash, tyres and ethylene, is targeted at an increase of 10 percent from last year, Gu said.

The minister stressed the point that utilization of foreign capital will be combined with the invigoration of large and medium-sized state-owned enterprises.

She also said that development of the export-oriented economy will be combined with the adjustment of the industrial structure.

At the same time, economic and trade cooperation with Taiwan will be further intensified, and a second symposium will be held between the two sides for economic and trade talks and scientific and technical exchanges in the chemical industry, she said.

*Foreign-Invested Enterprises' Development Viewed

95CE0007A Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 9, 1 Sep 94 pp 44-45

[Article by Yan Shixun (7346 0013 8113)]

[FBIS Translated Text] In China, foreign-invested enterprises have gone through the phases of inception, exploration, and development; in the future, they are to enter the stages of upgrading and harvesting. Today, the urgent task is to plan ahead to ensure "five changes" in the development of foreign-invested enterprises.

1. Localities should shift from offering preferential policies to creating an investment environment in compliance with international practice in their efforts to attract foreign investors

In the past, in order to boost their appeal to foreign investors, localities made a number of local preferential policies, with marked results. As the state moves to clear up and abolish those preferential policies that the localities made without proper authority, such "relative advantages" will no longer exist. Foreign businessmen come to invest in China for the profits they hope to gain through regional differences; they especially have their eyes set on the great potential market that China can offer. The main magnets for attracting foreign capital are a sound investment environment, high efficiency, and favorable conditions for fair competition. A preferential policy of low taxes is not the only means to attract foreign investment. Therefore, localities should work to better the investment environment. While stepping up the effort to improve the hard environment of infrastructure, localities should work to bring local economic practice in line with prevalent international rules as soon as possible to create a proper mechanism for fair competition and survival of the fittest. Localities should work to ensure that foreign-invested enterprises already in operation run well, administer them in accordance with international practice, prevent joint ventures from becoming excessively domestically invested, and continually elevate the level of their returns. Localities should provide a full line of services to foreign-invested enterprises in their start-up, production, and operation, and enhance their appeal to foreign investors with high success rates, high efficiency, and high profit rates.

2. Localities should concentrate their efforts at developing foreign-invested enterprises on key projects instead of spreading themselves too thin in trying to cover all kinds of projects

One major reason why foreign-invested enterprises in some localities have poor ratings in fulfilling contracts and low returns on investment is that localities, being eager for success, tend to be indiscriminate in approving foreign-funded projects, thus overstretching their human, financial, and material resources. Therefore, while improving the examination and supervision of new projects, localities should conduct a general survey of approved foreign-invested enterprises and separate them into two categories: those which should be fostered because of a promising future, sound operation, and strong market competitiveness, and those which should have their licenses revoked or their operation halted immediately because of inherent deficiencies. Foreign-invested enterprises that exist in name only, or have set up shop but have never gone into production, or have gone into production but have made no profit can only cause economic losses and must be prevented. Today, many joint ventures founded by key enterprises owned by local governments at the county or above level still lag behind village and township enterprises; this situation

must be changed. Localities should make large and medium enterprises the focal point for the grafting of foreign investment, attract foreign capital via the joint-stock system, create conditions to pave the way for the development of group companies, implement intensive management, increase efficiency from the economies of scale, and prevent new projects from being small and scattered or their product lines from being similar.

3. Localities should focus on raising the quality of foreign-invested enterprises instead of increasing the number of such enterprises

In recent years, foreign-invested enterprises have developed so rapidly that their number has increased geometrically in many localities; however, in quite a number of localities, especially the less developed ones, foreign-invested enterprises are apparently plagued by low "survival rates" and poor returns. Therefore, in the future localities should insist on the guiding principle of "emphasizing both quantity and quality on the one hand, and both development and upgrading on the other" in their efforts to develop foreign-invested enterprises. In evaluating the outcome of their efforts, localities should shift their focus from traditional quantitative indexes to result-oriented indexes, such as the amount of actually utilized foreign capital, the start-up rate, and the profits and tax revenue generated by foreign-invested enterprises. In the face of shrinking supplies of key production elements and intensifying market competition, localities should raise the level of external-oriented intensive management, help to expand and upgrade the utilization of foreign capital, and ensure that upgrading is secured in the course of developing foreign-invested enterprises and that upgrading, in turn, facilitates faster development.

4. Localities should shift their focus from general projects to those featuring local supremacy, basic industries, and high and new technologies

In the course of exploring ways to develop foreign-invested enterprises, some localities have gradually succeeded in pluralizing the source of foreign investment as well as in diversifying the fields for, expanding the scale of, and upgrading the types of industry for such investment. However, foreign-invested enterprises in many localities still cling mainly to ordinary, low-grade projects. Projects are a medium for the utilization of foreign capital; the success of importing foreign capital is determined, to a certain degree, by the selection of projects. Therefore, localities should make the most of both their supremacy in certain fields and their special natural resources, and take advantage of both the prevalent trend where international capital is gradually shifting toward basic industries as well as high and new technological industries and the fact that the state is leaning favorably toward mechanical and electrical products, raw materials, construction, and agricultural development projects, to bring about an organic union between the utilization of foreign capital and the exploitation of regional or industrial supremacies. They

should boldly cooperate with large overseas consortiums and enterprises to carry out transportation, communications, energy, and other infrastructure projects; high and new technological projects; and projects that have high production efficiency and need to be expanded. In addition, taking into account their actual situation, localities should also work to develop agricultural foreign-invested enterprises.

5. Localities should shift their focus from being export-oriented to encompassing exports, import substitutes, and domestic sales

The long-term goal of developing foreign-invested enterprises is chiefly export-oriented, sending end products to the international market. However, the domestic market is not yet completely linked up with the overseas market, and trade protectionism is prevalent internationally; what is more, in many localities the production technical level and product quality are low, and economic competitiveness is weak. As a result, many foreign-invested enterprises repeatedly suffer setbacks in their efforts to export their products. Therefore, the short-term goal should aim at combining export orientation, import substitute and domestic sale by importing foreign capital and expertise to produce import substitutes to meet domestic needs and to save in foreign exchange while watching for the chance to enter the international market. This way, localities not only can attain both the short-term and long-term goals, take care of both domestic and overseas markets, but also solve foreign exchange shortages, avoid mistakes, and reduce export risk.

Agriculture

Government To Raise Incomes of Poor Farmers

HK1301063595 Beijing CHINA DAILY in English
12 Jan 95 p 1

[By Wang Yonghong: "Country to Raise Incomes of Poor Farmers"]

[FBIS Transcribed Text] The central government is assigning top priority this year to raising the incomes of farmers living in the country's poor central and western regions as part of its efforts to accelerate the growth of farmers' incomes nationwide.

"It is an important but difficult task to boost the incomes of farmers in the backward hinterlands, since most of the country's 80 million poverty-stricken people live in the central and western regions," Minister of Agriculture Liu Jiang said during the opening of a national agriculture conference on Tuesday.

More financial input and preferential policies are needed to speed up efforts to support economic development in the rural central and western regions—especially in impoverished areas, Liu said.

Last year, the average annual per capita income of farmers rose to 1,200 yuan (\$142), up 5 percent over the 1993 average, after inflation. This marks the highest growth rate in recent years, Liu said.

He attributed the income increase to hikes in the state's purchasing prices of grain, cotton, and other farm products.

But it is impossible for the government to raise the purchasing prices of farm produce by a big margin again this year, which will make it difficult to increase the incomes of farmers again, said the minister.

Raising farmers' earnings is not only closely related to the improvement of rural living conditions but critical to ensuring social stability and the smooth development of the national economy.

The central government has mapped out a programme to keep the annual growth rate of the net income of farmers at 5.8 percent during the 1990's.

To fulfill the target, the growth rate will have to increase to at least 6.6 percent for the rest of the century to offset the 3.8 percent growth rate from 1990 to 1993, Liu said.

***Experiences, Problems in Improving Rural Areas**

95CE0145A Beijing ZHONGGUO GAIGE [CHINA REFORM] in Chinese No 10, 13 Oct 94 pp 44-46

[Article by the State's Economic Restructuring Commission's Working Team for a Relatively Comfortable Standard of Living in the Rural Areas: "Experiences and Difficulties in Efforts at Attaining a Comfortable Standard of Living in the Rural Areas Along the Coast"]

[Text] Editor's Note: Recently several units, including the working team for a relatively comfortable standard of living—which is a team within the Agricultural Department of the State Commission for Restructuring the Economic System—and the Institute of Agriculture in the Chinese Academy of Social Sciences, conducted a "Symposium on Achieving a Relatively Comfortable Standard of Living in the Rural Areas." Comrades from the departments in charge of work for the rural areas of seven economically well-developed provinces and one municipality along the coast were the main participants at the symposium. The symposium reviewed the basic experiences and existing problems of the various localities in their efforts to achieve a relatively comfortable standard of living. The provinces and municipality of these economically well-developed regions along the coast are "file leaders" in their efforts to achieve comparatively well-off living standards, and their respective experiences and problems. They are also taking measures for improvements and are yielding valuable lessons for similar efforts being made throughout the entire country. In the following article we wish to propagate their successful experiences.

The term "seven provinces and one municipality" refers to the provinces of Liaoning, Hebei, Jiangsu, Zhejiang, Fujian, Guangdong, Shandong and the municipality of Beijing. With the exception of Hebei, all these provinces and municipality are all economically well-developed regions along the coast. In 1993, the per capita net incomes in the rural areas of all these provinces and municipality were higher than the national average, with the exception of Hebei Province, where it had been only 803 yuan. These per capita incomes were:

Beijing—2,200 yuan; Jiangsu—1,201 yuan; Zhejiang—1,745 yuan; Liaoning—1,100 yuan; Guangdong—1,605 yuan; Shandong—953 yuan; Fujian—1,211 yuan.

The target norms set by the seven provinces and the one municipality for themselves for comparatively well-off levels of net incomes were:

Beijing—3,500 yuan; Fujian—1,300 yuan; Guangdong—900 yuan; Liaoning—1,200 yuan; Zhejiang—1,600 yuan; Shandong—1,299 yuan; Jiangsu—1,400 yuan; Hebei—1,200 yuan.

Hebei Province alone may need until the year 2000 to attain the state of comparatively well-off status, while all the other provinces and the municipality may attain it two or three years earlier. The target norms for a relatively comfortable standard of living comprise not only per capita net income of peasants, but generally also gross domestic product, the Engel coefficient, the proportionate increase in output value of the tertiary industries, the caloric intake, the protein intake, housing space, popularity of TV sets, life expectancy, proportion of persons under social security, rate of forest land, etc.

Experiences of the Economically Developed Provinces/Municipality in Efforts Toward a Relatively Comfortable Standard of Living in the Rural Areas

1. Selecting the Correct Way for Economic Development

Suiting measures to prevailing conditions and deciding on the correct way of economic development, these have been the two fundamental principles followed by the economically developed provinces and municipality along the coast in the more rapid development of their economies. Basic disparities of natural conditions and of economic foundations between the different rural areas of these provinces and municipality along the coast have been very great; some are located directly along the coast, some in the plains, some inland, and some in mountainous regions. That is why it was so necessary for them to suit measures to local conditions. In organizing the peasantry for economic development, attention was paid to fully arouse the initiative and creativity of the basic-level cadres and masses, guiding them to watch domestic and foreign market demand, to make full use of favorable local conditions, to make best possible use of advantages and steer clear of weakpoints, and to be actively involved in practice. As to the selection of the breakthrough point toward prosperity, of the paths

toward prosperity, and the selection of the forms of production and operations, as long as they all conformed to the state's industrial policy and to all relevant laws and regulations, the wishes of the masses had been respected and the masses allowed to pursue their work with ease of mind. This created the vivid, vigorous, and very favorable situation of all trying to outdo each other in high-quality performances, and each finding his own path to prosperity, as all are proceeding on the many different ways toward a relatively comfortable life. Qixia County in Shandong Province is an apple-producing county, and the main efforts of its peasants in their drive toward prosperity was the development of fruit production in the mountainous regions. Their slogan for rural economic development was: "With an apple basket on our back, to sure prosperity we trek."

Changdao County was able to attain relatively comfortable living standards before the others—in fact becoming the first comparatively well-off county in Shandong—by relying on "sea cultivation and fish farming." With the principle of suiting measures to prevailing conditions, with a full grasp of the situation, and with the initiative of the masses, the way toward achieving a relatively comfortable standard of living is like the proverbial "Eight Immortals crossing the sea, each displaying his/her particular ability." Let there be diversity and multiple choices.

2. Formulating preferential policies, arousing enthusiasm among the peasantry for efforts toward prosperity.

Main policy measures of this nature were: supporting and encouraging peasants to develop village and township enterprises; developing a "three highs" agriculture; developing animal husbandry; fishery; supporting and encouraging peasants to enter the area of circulation; developing the tertiary industries; setting up "three capital" enterprises; and guiding and supporting individually and privately run businesses. All these measures constitute a very comprehensive and complete system of policies to bring prosperity to the people.

3. A more rapid development of the rural economy by promoting the utilization of science and technology in agriculture.

Gaining a firm grip on this basic point amounts to gaining a firm grip on the crucial point in all efforts to accelerate the development of the rural productive forces. According to estimates in Shandong Province, during recent years the share of S&T progress in the growth of agricultural production was around 40 percent. In many places, peasants have moved away from relying on physical labor and "foolish force" to earn just enough for food and clothing and have gradually gone over to rely on technology and the use of "smart force" to gain a better standard of living.

4. Looking toward the market for guidance, energetically adjusting the structure of rural production.

One of the fundamental experiences of the economically developed provinces and municipality along the coast were the adjustments in the internal structure of agriculture, also active development of the secondary and tertiary industries, including village and township enterprises, and thereby the gradual achievement of a highly efficient agriculture that provides greater and better yields, and an agricultural production in which village and township enterprises play a dominant role. Guidance of agriculture must be under the concepts of the large market and of a large-scale agriculture. On the precondition that steady increases in grain production will be ensured, agriculture must burst forth from the narrow confines of merely relying on grain production and merely on cultivation of the soil; it should gain a firm foothold in the comprehensive development of all the natural resources and seek to gain benefits from a combination of agriculture, industry, and commerce, from a combination of planting, animal husbandry, and processing, and from agricultural activities that earn foreign exchange, thus to comprehensively promote each one of the five lines: agriculture, forestry, animal husbandry, sideline production, and fishery.

5. Formulating a plan for the achievement of a relatively comfortable standard of living.

We see from plans made by the provinces and municipality for achievement of relatively comfortable standards of living that they all had given due consideration to the principles of suiting measures to prevailing conditions, of giving differentiated guidance, and of step by step promotion, and that they had also listed a timetable for achievement of comfortable living conditions for each city, prefecture, and county. With the exception of Hebei Province, the provinces and municipality have all promised to achieve comfortable living conditions ahead of expectations and have even set higher criteria for doing so. Hebei Province is also demanding 48.3 percent of its counties will achieve either in 1995 or by 1997 a state of relatively comfortable living conditions.

6. Incentive mechanism for county, village, and township cadres.

There has to be inflexible implementation of an effective incentive mechanism and restraint mechanism for cadres. Hebei Province has furthermore issued the "Tentative Regulations on Incentive and Restraint Mechanisms for Party and Government Leading Cadres in Counties (Municipalities, Regions)" as a document of the provincial party committee to be distributed to all its subordinate agencies, in addition to having it published in newspapers and periodicals. Cadres who have advanced the cause of attaining relatively comfortable standards of living in their districts should be promoted to important positions and should be well rewarded. Those who do not do well and cannot achieve the targets for relatively comfortable standards of living should be sent "yellow cards" as warning, or even punished by dismissal. Some provinces and municipalities have formulated specific regulations concerning the incentive

and restraints for rural cadres. Through incentive and restraint mechanisms, through the rewarding of the diligent and good and penalizing the lazy and bad, the efficient ones will be nurtured and the inefficient ones eliminated. The measures will arouse enthusiasm among cadres at all three levels—county, township, and village levels—and will move the large number of cadres to the forefront, there to exert themselves to the utmost, to struggle, and compete for the achievement of relatively comfortable living standards.

7. More energetic propaganda for the achievement of a relatively comfortable standard of living.

In all cases in the rural areas, propaganda is extremely effective. Some provinces have used the news media to arouse great mass fervor for efforts toward better living standards. In some provinces, efforts toward better living standards had been added to the curriculum of party schools, cadres schools, and training courses. News media have added special columns and special articles on the subject, with concentrated propaganda on the meaning and advanced exemplary types of work toward better living standards. Some provinces have also organized "propaganda teams" to go down to the villages to keep up a regular flow of propaganda for the work toward better living standards. Through propaganda, the work toward better living standards has in some provinces become a kind of pervasive element and a momentum, and enthusiasm for work toward better living standards among the huge number of peasants is at an unprecedented height.

8. Enhancing leadership in the movement for better living standards.

The work toward better living standards is a kind of systems engineering; it involves politics, economics, and cultural affairs. It is a matter that does not only concern the departments dealing with rural affairs, and it is also not a matter that is merely limited to the economic sphere, but it is rather a matter of common responsibility of the entire party, of the entire nation, and of the entire society. It is therefore necessary to strengthen leadership in these efforts toward gaining relatively comfortable standards of living and to do an effective job in the three aspects of leadership, understanding, and measures actually taken. Judging by what we see in the economically developed provinces and municipality, a most important point is to have the provincial party committee and the provincial government view this work as of considerable importance. In the highly desirable interest of developing the productive forces, with enhanced fighting strength, cohesiveness, and attractiveness of the party organization, we have to have a high degree of unity of thinking and understanding. This is guarantee for guiding the rural areas and the peasants toward efforts to attain a relatively comfortable standard of living. Some provinces and municipality tried to have departments undertake contractual obligations, each for one particular county, and to have cadres stay in the villages and

have them see to it that the work of attaining a better standard of living is completed within a certain time. In some cases, a responsibility system was instituted with a signing of pledges for the achievement of the said objective.

9. Persisting on the method of "grasping two links at the same time," guaranteeing achievement of a relatively comfortable living standard.

Attainment of spiritual civilization requires efforts in two directions. On the one hand, it is necessary to enhance education of rural cadres and masses in the system of legal principles and in the ethics and workstyle of socialism, also to enhance education in Chinese national traditions and in the ideals of communism. On the other hand, additional efforts are needed in respect of organization and institutions. In Laixi County, the Shandong provincial administration instituted a united coordinated effort by village party committees, economic organization, and mass organizations, and in Zhangqiu County it instituted a standardized administration at the village level, on the principle of "building up a system based on law, administering the villages according to law, and having democratic administration."

Primary ways and means to accelerate attainment of a relatively comfortable standard of living in the rural areas

Many alleys and roads lead to a relatively comfortable standard of living. Among all of these, the methods used by Shandong have been very successful—they mainly developed nine types of agriculture:

1) high-yield agriculture; 2) exchange-earning agriculture; 3) resource-developing agriculture; 4) forestry and fruit-growing agriculture; 5) sea-cultivating and fish-farming agriculture; 6) market-reactive agriculture; 7) village and township enterprise agriculture; 8) shareholding economy agriculture; 9) simultaneous operation of the three types of industry.

Of the above-listed nine types of efforts toward a relatively comfortable standard of living, there are at least five that will actually lead to prosperity through agriculture. This explains that the various localities, in the process of developing their local economies for the purpose of attaining relatively comfortable standards of living, must fight their own battle of competing superiorities and choose their own way of economic development in accordance with their particular circumstances. Development of village and township industries and nonagricultural industries are important ways, but not the only ways, to achieve a relatively comfortable standard of living.

Success in efforts to achieve relatively comfortable standards of living also requires that all adopted measures are substantial and effective, and that the following key links are firmly grasped:

1. While upholding the dominance of public ownership, the simultaneous development of diverse economic sectors shall be encouraged.

In the future, while upholding the dominance of public ownership, we shall allow and encourage the development in the rural areas of economic systems other than the one of public ownership. We shall give full scope to such diverse economic sectors as collective, individual, and private economy, bring every positive factor into play, and to the greatest extent liberate and develop productive forces.

2. Extending efforts at the relief of poverty, creating some precedents of prosperity that will induce more prosperity, and making solution of the problem of still existing poverty regions an important link in our efforts to achieve relatively comfortable standards of living.

In addition to continuing former supportive policies for its underdeveloped regions, Shandong Province has decided to allocate 250 million yuan per year for five years as a special fund for the economic development of underdeveloped regions. A large part of the revolving fund for the support of agriculture, a fund administered by the provincial finance department, will be used for the underdeveloped regions. Agricultural loans by the province to underdeveloped regions will be increased to a degree that will be larger than increases in bank loans throughout the entire province. The number of counties, which experimentally conduct reform and opening up directly under provincial government control will be increased from the original 9 to 25, and will also be paired off with economically developed counties and provincial departments, for mutual support. Hebei Province and Guangdong Province are actively instituting a strategy of rational division of labor between developed regions and underdeveloped regions, having them supplement each other's needs by providing what each has in abundance. Beijing Municipality has proposed certain specific measures such as setting up industrial zones near mountainous counties, relocating people in the poverty-stricken mountainous regions, and organizing boarding schools for the benefit of pupils living in widely separate areas in the mountainous regions.

3. Giving serious attention to reform and development at the county level, enhancing economic vitality in county territories.

Giving serious attention to reform and development at the county level was a particularly conspicuous task, well performed by the provinces/municipality along the coast in their efforts to improve living standards. This shall be followed, as the next step, to satisfy the needs of the socialist market economy, by a further extension of county-level autonomy, a shift in functions, enhancing capabilities for organization, coordination and guidance of reform and opening up, and by promoting a more successful economic development in the county territories. We shall boldly and resolutely retrench the county-level party organization according to the direction

"accomplish great tasks with a small organization," and we shall transform many of the specialized economic departments into economic entities or service entities, thereby perfecting the socialized service system in the rural areas.

Certain Difficulties in Realizing the State of Relatively Comfortable Standards of Living in the Rural Areas

1. Raising the per capita net income of the peasants is key to achieving a relatively comfortable standard of living for them. However, many regions are still quite a distance away from attaining the norms set for per capita net incomes that would be consonant with a state of relatively comfortable standards of living. Even an economically advanced province such as Jiangsu has some regions where it is difficult to achieve relatively comfortable standards of living. Guangdong, Zhejiang, Shandong, and other provinces all have poverty counties where attaining relatively comfortable standards of living is beset with certain difficulties.

2. This year's new policies have rendered it more difficult to achieve relatively comfortable standards of living in poverty-stricken rural areas:

1) Due to reform of the system of public finance and taxation. The new tax system prescribes that transport expenses are not included among the items that can be offset against added-value tax, which is a serious blow for village and township enterprises in remote mountainous regions. Furthermore, a unitary taxation system is applied to the poverty districts, added-value tax accounts for 60-70 percent, and 75 percent of this tax is to be remitted to higher authority, which reduces the revenue for these areas from increased volume to next to nothing. Local authorities have no power to reduce tax or exempt from tax in case of central authority taxation or taxation shared with the central authorities. The beneficial policy system of reductions and exemptions that had mainly been meant as support for poverty regions is being phased out, and it is highly unlikely that any such new beneficial policy will appear.

2) Due to the reform of the banking system. If the banks institute supervisory control of the scale of loans in relation to the asset-liability ratio, according to the rules set by the central authorities, banks in poverty counties will find it impossible to make transfers on a sufficiently large scale, and actual loans will in future be generally much reduced. After the specialized banks will have been turned into commercial banks, the provincial banks will no more be prohibited from granting loans beyond the borders of their administrative districts, and the flow of capital into high-profit economically developed areas will quite naturally become the prevailing trend.

3) Although targets for achieving relatively comfortable standards of living in the rural areas have already been

established, the work, in its concrete application, still lacks guidance and checkups, and this, as a result, deprives these measures toward relatively comfortable living standards of the necessary strength. Some provinces have no unified system of norms for relatively comfortable living standards and lack energy for the achievement of the objective. As far as the country as a whole is concerned, there is no department that is specially charged with the work of attaining relatively comfortable living standards.

4) In some areas there is a trend of attributing high value only to material civilization while making light of spiritual civilization.

Chemical Industry Concentrates on Farm Production

HK1301093795 Beijing CHINA DAILY in English
13 Jan 95 p 5

[By Li Yan: "Chemical Sector Still Targeting Farm Production"]

[FBIS Transcribed Text] The Ministry of Chemical Industry (MCI) will continue to target the production of agrochemicals this year Chemical Minister Gu Xiulian said yesterday in Beijing.

MCI has fixed the output of chemical fertilizers at 113 million tons and farm pesticides at 230,000 tons in 1995.

The output of chemical fertilizers topped 100 million tons last year, an 11.6 percent rise over the previous year. That of farm pesticides reached 228,000 tons, 108.6 percent of the annual plan and 7 percent more than the output the year before, said Gu.

She said total output value of the industry in 1994 saw a 9.5 percent increase over the previous year to top 197 billion yuan (\$23.5 billion).

To promote the production of chemical fertilizers and farm pesticides, and to satisfy demand from agriculture, Gu said MCI will reinforce four measures this year.

First, MCI will stabilize the prices of agrochemicals and control the price rise of agrochemical commodities.

Gu said MCI will continue to control prices of agrochemicals produced in the 17 large-sized national chemical fertilizer manufacturers. No producers should raise the ex-factor prices at their will.

Second, MCI will continue to win the support of local governments, to ensure the supply of coal, oil, and gas needed in production of chemical fertilizers and to guarantee transportation of pyrites and phosphate rock.

MCI will also accelerate technical renovation of agrochemical production units to raise the production capacity of agrochemicals, said the minister.

Additionally, MCI will continue to crack down on illegal production and the marketing of fake and poor quality products. At the same time, it will also exercise quality control of agrochemical producers.

The minister said the chemical industry will step up construction of an export-oriented economy this year.

Last year, the import and export value of chemical industry was expected to be \$20.5 billion, including \$8.2 billion of exports, which is a 9 percent increase over 1993.

The number of foreign-funded chemical enterprises increased rapidly, involving a total investment of \$5.5 billion.

East Region

Anhui Leaders Inspect Troubled Enterprises

OW1301120995 Hefei Anhui People's Radio Network in Mandarin 1100 GMT 5 Jan 95

[From the "Provincial Hookup" program]

[FBIS Translated Text] Leaders of the provincial federation of trade unions, economics and trade commission, and labor department, and responsible party and government comrades of Hefei City, led by Lu Rongjing, secretary of the provincial party committee; Vice Governor Wang Xiuzhi; Ji Jiahong, secretary general of the provincial party committee, yesterday inspected the Anhui Printing and Dyeing Plant, Hefei Battery Plant, and other factories which had been plagued by difficulties and visited some families of workers and staff members. They also had a meeting with the leaders of the two factories to discuss ways to solve difficulties and to determine the living conditions of staff members and workers.

Lu Rongjing stressed: The key to solving difficulties faced by enterprises is to carry out reform successfully, to rely wholeheartedly on the working class, to explore new ways to transform operating mechanisms, to improve skills, to tap potential, to make use of advantages, to reinvigorate oneself, and to free oneself from difficulties from different directions.

Lu Rongjing pointed out: The current difficulties of many enterprises are mainly due to their out-of-date operating mechanisms, irrational structure, and heavy historical burdens. To free themselves from difficulties, they must have a plan for a comprehensive solution. First, they must deepen reform. Proceeding from reality, they should devise a plan to save what can be saved. They should know what methods are good for them. They may adopt the methods of contracting out, leasing, or forming shareholding enterprises. They should start with reinvigorating a production line and a workshop in order to free themselves from their plight through gradual improvement. Second, they must adjust their structure in order to compete in the market. On the one hand, they should pool funds to increase the production of products readily marketable and to seek a solution to the problem of feeding workers; on the other hand, they should focus on strategic adjustment. This means they should conduct investigations and studies, make scientific appraisals, build some projects that have a high technology starting point and produce products with high-added value, and work out a long-term development plan so as to completely free themselves from difficulties. In the course of structural adjustment, they should take note of their technological and regional advantages and strive to develop diversified undertakings. Third, it is necessary to study policies and speed up the process of freeing enterprises from historical burdens. This will enable enterprises to compete in the market without having to bear heavy burdens.

Lu Rongjing called on party committees and governments at all levels and all sectors of society to proceed from the overall interests of reform, development, and stability, and to attach great importance to and show concern for the work of helping enterprises solve their difficulties. Financial and monetary departments should assist enterprises with loans. Departments in charge of industry should take the initiative to help in studying the market, in appraising projects, and providing good service. Labor departments and trade unions should also create conditions for solving the difficulties faced by these enterprises.

Lu Rongjing was very much concerned about the living conditions of the staff members and workers, especially those who have retired, of the enterprises experiencing difficulties. At the two plants, he visited some families of staff members and workers and those who had retired and asked about their living conditions. He called on party committees and governments at all levels to care for the plight of the people, especially the staff members and workers of enterprises experiencing difficulties, and to help them solve problems in real life.

Vice Governor Wang Xiuzhi also expressed important opinions on the work of helping troubled enterprises solve difficulties. He called on governments at all levels, the departments in charge of enterprises, and the departments in charge of the overall balance of the economy to conduct investigations and studies in enterprises plagued by serious difficulties, to analyze the situation, to give detailed guidance, and to carry out measures aimed at assisting the enterprises in difficulty so as to enable them to free themselves from or to lighten their difficulties.

Anhui Province Collects 9.206 Billion Yuan

OW1301122295 Hefei Anhui People's Radio Network in Mandarin 1100 GMT 6 Jan 95

[From the "Provincial Hookup" program]

[FBIS Translated Text] In 1994 Anhui's tax departments and their cadres in charge of taxation affairs outstandingly fulfilled their tax collection tasks by seizing the opportunities, boldly tackling difficulties, and actively advancing reform of the tax system. According to statistics, the amount of industrial and commercial taxes collected throughout the province in 1994 was 9.206 billion yuan, which is equivalent to 115.1 percent of the 8 billion yuan target set by the state at the beginning of the year, and represents an increase of more than 1.2 billion yuan over the planned figure. Of the total figure, consumer and value-added taxes amounted to 6.631 billion, which is 220 million yuan more than the planned figure for the two taxes.

While announcing the above figures to the public yesterday, a responsible person of the provincial state tax bureau said: In 1994 the economic development momentum in Anhui was good. Provisional tax reductions and exemptions were canceled; tax-paying units

and taxpayers enhanced their awareness of paying taxes; the work of collecting overdue taxes was done effectively—these are the important reasons which had contributed to the successful overfulfillment of the tax collection tasks throughout the province. At the same time, the new tax system in Anhui was put into place, and there was initial success in the reform of the tax system. After the new tax system was put into effect, people at the top and bottom in the province gained a new understanding of economic development. Many localities, guided by the principles that economic development should be judged by efficiency, that enhanced efficiency should be judged by the amount of taxes and profits, and that the increase in taxes and profits should be delivered to the state, have turned the focus of economic work to enhancing efficiency. The new tax system has also promoted the adjustment of industrial establishments in the province. Many localities have increased inputs in primary and tertiary industries, vigorously developed a type of farming that provides high yields of fine quality with maximum efficiency, and promoted the unhealthy development of the economy by developing enterprises that require less input, yield greater economic results, and promise quick returns [words indistinct].

Namelist of Ninth Jiangsu Party Congress

OW1301040795 Nanjing XINHUA RIBAO in Chinese
21 Dec 94 p 1

["Namelist of presidium of the Ninth Jiangsu Provincial Party Congress (adopted by the preparatory meeting of the Ninth Jiangsu Provincial Party Congress on 20 December 1994) (67 people in all) (listed in order of number of strokes of surname)"—XINHUA RIBAO headline]

[FBIS Translate:1 Text] Wang Min [3769 3787], Wang Zhongqi [3769 0112 14770], Wang Hongmin, Wang Rongbing, Wang Minsheng, Wang Xialin, Wang Yingzhi [3769 3467 0037], Fang Zhizhuo [2455 0037 8743], Ye Jian [0673 1017], Zhuang Jianxin [8369 1696 2450], Liu Jian [0491 1017], Xu Zhonglin, Sun Han, Yan Shaohua [0917 1421 5478], Li Yang [2621 2254], Li Yangzhen [2621 0111 3791], Li Mingchao [2621 2494 2600], Li Peiyu, Li Bingcai [2621 3521 2088], Yang Xiaotang, Wu Renbao [0702 0088 1405], Wu Xijun, Sha Renlin, Shen Daren, Song Jianhua [1345 1696 5478] (female), Zhang Pinhua, Zhang Yaohua, Chen Wannian [7115 8001 1628], Chen Yuying [7115 3768 5391] (female), Chen Biting [7115 1801 0080], Chen Genxing [7115 2704 5281], Chen Huanyou, Fan Yumin [5400 5143 3046], Yu Jiashu [6735 1367 2885] Ji Yunshi, Zhou Ze [0719 3419], Zheng Bingqing, Zheng Silin, Zhao Shaolin [6392 1421 7792], Hu Fuming, Po Suning [2672 5685 1337] (female), Liu Lin [2692 2651], Duan Xushen, Yu Xingde, Yu Jingzhong [0205 2417 1813], Shi Xuedao [2457 1331 6670], Shi Lijuan [2457 7787 1227] (female), Jiang Yongrong, Hong Jinxin [3163 6930 3512], Gu Hao, Guo Jiekang [7357 0094 1660], Xu Ming [1776

7686], Xu Guanxiang [1776 7070 4382], Xu Guojian [1776 0948 0256], Xu Xicheng [1776 6932 3397], Gao Dezheng, Ling Qihong, Tao Jianxing [7118 1696 1630], Cao Keming, Cao Hongming, Yan Qin [7051 0530] (female), Liang Baohua [2733 0202 5478], Peng Zhechun [1756 0772 2504], Han Xiangchen [7281 2502 5256], Han Peixin [7281 1014 0207], Chu Jiang [0328 3068], Yu Zhenxin [5713 2182 2450].

Shandong Secretary Addresses Conference

SK1301015295 Jinan Shandong People's Radio
Network in Mandarin 2300 GMT 12 Jan 95

[FBIS Translated Text] At the provincial conference on party building work held on 12 January, Zhao Zhihao, secretary of the provincial party committee and provincial governor, emphatically pointed out: The more we conduct reforms and opening up and develop the market economy, the more we should strengthen the party's leadership, attend to party building, and raise the party's building to a new level in line with the demands of the Fourth Plenary Session of the 14th CPC Central Committee.

Leading comrades, including Zhao Zhihao, Li Chunting, Li Wenquan, Han Xikai, Song Fatang, Li Zhen, Tan Fude, Yu Zhengsheng, Dong Fengji, Sun Shuyi, Han Yuqun, Wang Keyu, and Ma Zhongcai, attended the conference and took seats on the rostrum.

Li Chunting, deputy secretary of the provincial party committee and vice governor, presided over the conference on 12 January. Zhao Zhihao, secretary of the provincial party committee and provincial governor, gave an important speech at the conference. He said: Democratic centralism is the fundamental system of our party and country. To conscientiously implement the principle of democratic centralism, we must resolutely safeguard the authority of the CPC Central Committee, firmly foster the idea of coordinating all the activities of the nation like pieces in a chess game, and on the premise of upholding the party's basic line, do a good job in combining the central directives with Shandong's reality, and carry out our work creatively. The building of party's rural grass-roots organizations is the foundation of the party's whole work and its fighting strength in the rural areas. It is necessary to act in line with the demands of the national work conference on building rural grass-roots organizations, concentrate three years on consolidating backward party branches, and enable the entire quality of the rural grass-roots party organizations across the province enter a new stage. He pointed out: We should realistically place the two major and urgent tasks of comprehensively raising the quality of the existing leading cadres and exerting efforts to cultivate and select outstanding young cadres high on the agenda and strive to achieve breakthrough progress within three years.

Zhao Zhihao stressed: The building of ideology and work style is the essential point for party building. We should unceasingly raise the Marxist theoretical level of leading cadres, realistically attend to conducting education on

the mass line and on organizational discipline among the party-member cadres, and actively promote the party's fine work styles of seeking truth from facts, integrating theory with practice, conducting criticism and self-criticism, and maintaining close ties with the masses. At present, we should continue to deeply conduct the anti-corruption struggle and lay emphasis on solving the existing problems of party and government leading organs at and above the county level and of some leading cadres.

Zhao Zhihao emphatically pointed out: In strengthening and improving the party's leadership, the most important thing is to do a good job in leading economic work. Party organizations at all levels should unite with and lead the broad masses of cadres to firmly grasp the banner of developing the economy and following the path of common prosperity. Meanwhile, we should also guarantee political and social stability.

Huang Ju Speaks at Shanghai Meeting

OW1201133695 Shanghai People's Radio Network in Mandarin 2300 GMT 28 Dec 94

[From the "990 Morning News" program]

[FBIS Translated Text] The Third Plenary Session of the Sixth Shanghai Municipal CPC Committee was held at Shanghai's Exhibition Center from 26 to 28 December 1994.

Secretary and Mayor Huang Ju, who is also a member of the CPC Central Committee Political Bureau, delivered an important speech at the meeting. His speech focused on how to create a new situation over the next three years under the guidance of the theory of building a socialism with Chinese characteristics.

Xu Kuangdi, deputy secretary and vice mayor, conveyed the guiding spirit of a recently-concluded national meeting on planning, revenue, taxation, economic affairs, trade, and economic structure reform.

The tasks of the meeting can be summarized as follows: Under the guidance of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics and the basic line of the party, we should comprehensively carry out the guiding spirit of the Third and the Fourth Plenary Sessions of the 14th CPC Central Committee as well as that of the Central Conference on Economic Work. We should review the work of the previous three years and define our policies for the next three years. We should mobilize all party members and people in Shanghai to continue to seize the opportunity, deepen reform, open wider to the outside world, promote economic development, and maintain stability. This is important work for the party and the state. Based on a newer and higher starting point, we should strive to promote socialist material and spiritual civilizations. We should work hard to turn Shanghai into an international economic, banking, and trade center.

The meeting pointed out that Shanghai's economic development over the past three years exemplified a process in which we march forward vigorously under the guidance of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics and the basic line of the party. The meeting also decided that over the next three years Shanghai should continue to maintain sustained, rapid, and healthy economic development. We should strive to improve the quality of economic operations, basically establish a modern enterprise system, and form an operational mechanism for the socialist market economy. We should achieve major breakthroughs in developing Pudong new district. We should bring into full play Shanghai's role as a center which serves the whole country and distributes resources. We should strive to achieve initial results in improving rail, road, water, and air transportation. We should selectively develop major infrastructural construction projects in the city. We should maintain coordinated development both in social undertakings and in economic growth.

Members of the municipal CPC committee, alternate members of the municipal CPC committee, as well as auditors who attended the meeting, conscientiously discussed Comrade Huang Ju's important speech and the 1995 Major Tasks for the Shanghai Municipal CPC Committee. They held that the 1990's were an important period for Shanghai to develop economic and social undertakings. During the course of great changes in the world and the great drive of reform, opening up, and modernization in China, we should seize the opportunity to expand our economy. We should strive to turn Shanghai into a financial, economic, and trade center which will provide the driving force for the development of the whole Chang Jiang valley. This is the fervent expectation of the party and the state. This is also an arduous and yet glorious task for all party members and people in Shanghai.

The meeting called on all party members, cadres, and people in Shanghai to rally closely around the Party Central Committee with Comrade Jiang Zemin as its core and, under the guidance of Comrade Deng Xiaoping's theory of building a socialism with Chinese characteristics and the basic line of the party, make concerted efforts to accomplish various tasks over the next three years. The meeting urged that we should make greater contributions in carrying out the goal set forth by the Sixth Municipal CPC Congress to build Shanghai into a modern international economic center.

The meeting decided to let Lin Rong and Pan Longqin, alternate members of the Shanghai Municipal CPC Committee, become members of the committee to fill vacancies.

A total of 53 members and alternate members of the Shanghai Municipal CPC Committee attended the meeting. Also attending the meeting were 192 auditors, including alternate members of the CPC Central Committee living in Shanghai, members of the Municipal

XPeople's Congress, members of the Municipal CPPCC Committee, members of the Municipal Planning Commission, responsible persons of all departments, committees, offices, districts, counties, bureaus, as well as trade union, youth, and women's federations.

Shanghai: Revenue Rises 40 Percent in 1994

OW1201145295 Beijing XINHUA Domestic Service in Chinese 0432 GMT 1 Jan 95

[By reporter Wang Hongyang (3076 3163 3152) and correspondent Xu Hubin (1776 3337 3453)]

[FBIS Translated Text] Shanghai, 1 Jan (XINHUA)—Zhou Youdao, director of the Shanghai Municipal Finance Bureau, announced a piece of good and inspiring news today: In 1994, Shanghai received a total of 37.25 billion yuan in revenue, up 40.6 percent from the previous year. This includes 21.89 billion yuan in consumption tax and value-added tax, up 19 percent from last year. Shanghai has completely achieved the target of increasing two sources of tax income which was set by the central authorities.

According to the new statistical standard under the revenue-sharing system, Shanghai received a total of 17.53 billion yuan in local revenue. This means Shanghai has not only completely overfulfilled its budget plan, but has also fully accomplished the task of turning in tax income to the central authorities in time.

The past year was the first year under China's new reformed tax system, and Shanghai has performed well following this important reform. Proceeding from the idea of "two-tier government and two-tier management," Shanghai Municipal CPC Committee and the People's Government have not only taken care of the interests of districts and counties, but have also guaranteed the municipality's power of overall regulation and control over finances. They have attached importance to an overall, universal, and structural reform in carrying out tax reform; achieved the goals of giving priority to efficiency while taking fairness into account and encouraging competition in compliance with international norms; regulated enterprise activities concerning tax payment; and ensured stable and overall growth in state revenues.

Last year, Shanghai's economy showed an unprecedented upward trend, with robust growth in industry, agriculture, commerce, foreign trade, exports, foreign investment, and other fields. The improvement in the quality of economic operations triggered significant growth in economic returns and revenue as a whole, including a 27 percent increase in turnover tax income and a 42 percent increase in other industrial and commercial tax incomes. Shanghai has shown more results in its strategic readjustment and optimization of economic structure, and new economic growth points are becoming Shanghai's "new financial resources". First, the newly developed mainstay industries show a strong

momentum for growth; tax incomes from the six major mainstay industries, including steel, petrochemicals, automaking, and telecommunications, have grown significantly. Second, a new structure for the use of foreign funds has been formed; the number of foreign-backed enterprises increased by the day, and relevant tax income grew by 70 percent. Third, tax income from the tertiary industries, such as financing and information consultation services, increased by 75 percent. Fourth, new and high technology industries stepped up their growth and tax income from them rose more than 100 percent. Fifth, the development and opening up of Pudong have boosted tax income from this new area by 120 percent.

In 1994, Shanghai's finance and tax department has grasped "two keys" in shifting from the old tax system to the new one: First, in the course of implementing the revenue-sharing system, Shanghai applied the practice used throughout the world and adopted the method of financial transfer payment to solve the contradiction among various districts and counties. Second, Shanghai intensified the check on special vouchers for value-added tax and initiated computerized management to ensure the smooth implementation of the new tax system. In addition, Shanghai's finance and tax department also explored new ways of spending the revenue; it boldly tried international practices, such as inviting and entering bids, in spending to improve the efficient use of funds.

Zhejiang Holds Planning, Economic Conference

OW1301024695 Hangzhou Zhejiang People's Radio Network in Mandarin 1000 GMT 7 Jan 95

[From the "Provincial News Hookup" program]

[FBIS Translated Text] A provincial planning and economic work conference was held in Hangzhou today. Vice Governor Zhang Qimei made an important speech on ways to improve the quality of economic growth, and to ensure a good job in 1995's planning and economic work through persisting in reform, development, and stability.

The conference analyzed the main features of Zhejiang's economic and social development in 1994. They are: First, the province maintained a relatively high economic growth rate, with the annual gross provincial product expected to reach 265 billion yuan, which represents an increase of 21.3 percent over the previous year in terms of comparable prices. Second, it achieved new breakthroughs in reform, as reflected in the new separated taxation systems and fiscal and tax structure, which have started to operate normally; in the steadily increasing financial revenues; in the unification of the foreign exchange rate; and in the smooth implementation of the foreign exchange settlement system in import and export trade, and of the new procedures for managing foreign exchange accounts. Third, it upgraded technology for key construction projects while bringing

the excessive growth trend in fixed assets investment under control and improving the investment pattern to some extent. Fourth, it made headway in the open economy. Fifth, it scored advances in various social undertakings.

The conference formulated the guiding principle and main tasks for 1995's economic and planning work. The guiding principle is: To continue to take "seizing the opportunity, deepening reform, opening up wider, promoting development, and maintaining stability" as the overall interest in appropriately handling the relations among reform, development, and stability; and to rely on science and technology to optimize the structure, change mechanisms, and raise the quality to promote sustained, rapid, and healthy economic development, and all-around social progress. The main tasks are: Achieving overall economic and social stability on the basis of stabilizing agriculture and prices; exerting efforts to open up the market, readjust the structure, and strengthen management for promoting stable and highly efficient economic growth; building up the stamina for future economic development through intensifying infrastructure construction and carrying out technological transformation of enterprises; and perfecting reform in various supporting areas, focused on the deepening of enterprise reform, to accelerate the change of economic operating mechanisms.

Zhejiang Outlines Measures for Restructuring

OW1301041895 Hangzhou Zhejiang People's Radio
Network in Mandarin 1000 GMT 7 Jan 95

[From the "Provincial News Hookup" program]

[FBIS Translated Text] A provincial economic restructuring conference was held today. It was pointed out at the conference that Zhejiang's reform this year will focus on one area and be supported by two areas.

The focus is: In aiming to establish a modern enterprise system, the province will strengthen the intensity of enterprise reform and accelerate the change of enterprises' operating mechanisms. Proceeding from Zhejiang's realities, enterprise reform will be focused on improving and invigorating large and medium state-owned enterprises, as well as backbone enterprises of other economic sectors. Meanwhile, measures will be taken to further decontrol and enliven small state-owned enterprises and collective enterprises in cities and towns. Revolving around the main area of enterprise reform, efforts will be made to carry out reform in two supporting areas. First, efforts will be made to accelerate reform of the management system, and to set up a supervisory and operating system for state-owned assets. In conjunction with reform of government organizations, measures will be taken to separate the government's functions of managing state-owned enterprises from those of supervising the economic affairs of society by separating the functions of supervising from those of

operating state-owned assets, thereby gradually straightening out the management system of state-owned assets. Second, efforts will be made to advance and perfect the reform of the social security system, focused on the basic old-age pension and unemployment insurance systems, by bringing more people under social security coverage, by steadily increasing the collection rate of social security funds, by combining the general accounts of society with individual accounts, by gradually setting up mechanisms for partially advanced and accumulation funds [as heard], and by strengthening the management and supervision of social security organizations.

Executive Vice Governor Chai Songyue made an important speech at the conference. He said: Reform is a pioneering undertaking. For what we regard as correct, we should just try it and go ahead daringly in accordance with the criterion of "three conduces" [conductive to developing the productive forces of socialist society; increasing the overall strength of socialist society; and improving the people's living standards] Even if there are different views with regard to a reform measure, we should try and review it in the course of practice. Where a deviation occurs, we should promptly rectify it. We should not stand still whenever differences of opinion arise. This is an important point in the experience of reform over the past 16 years.

He pointed out: In accelerating the pace of enterprise reform, we should reorganize and restructure, in various ways, large and medium enterprises and backbone enterprises of the basic and pillar industries in accordance with the Company Law and other relevant laws and statutes, so that such enterprises can expand their scale, upgrade their products, and improve their performance. As for small enterprises that turn out large amounts of output and have a vast market, we should strengthen the intensity of reform and restructure some of them into stock cooperative companies, depending on circumstances and under the condition of ensuring no losses in state-owned collective assets. Slightly deficit-ridden small enterprises should shut down, suspend operations, be merged with other enterprises, or be transferred to other lines of production; or they should declare bankruptcy and be auctioned in order to facilitate the flow of stock assets and to achieve optimal organization.

Central-South Region

Guangdong To Invigorate State With Reforms

HK1301084395 Beijing CHINA DAILY in English
13 Jan 95 p 3

[By Wang Rong: "Guangdong Sets Out Its Agenda For Growth"]

[FBIS Transcribed Text] Foshan—Guangdong will push reforms this year to invigorate its state firms, said Zhong Qiquan, vice governor of the province.

The reforms will focus on establishing a modern enterprise system among 30,000 state-owned firms of this South China region while further deepening the reforms in social security, agriculture, finance, banking, and market circulation.

He told the closing session of a two-day meeting on economic restructuring yesterday that Guangdong's reforms will be of the most significance to the opening policy starting in 1978.

A main task is to establish more than 10 large-scale enterprise groups capable of turning over at least one billion yuan (\$119 million) per year, according to Yi Zhenqiu, director of the Guangdong Commission for Restructuring the Economic System.

With high-efficiency enterprises as the backbones, Yi explained, the groups are encouraged to take over small and uncompetitive ones by any legal means.

Guangdong is determined to apply the successful reform experience of Shenzhen, Shunde, and Foshan to the whole province in managing the state property and promoting the social security system.

Also at the top of the reform agenda is spreading the shareholding system to all enterprises after standardizing the operation of the existing 540 shareholding companies, according to Yi.

In the rural area such cooperative reforms will be adopted to utilize surplus labour and develop urbanization.

This year, Guangdong will make efforts in the attempt to develop 250 pilot enterprises into modern ones.

"No special preferences will be given to them and they have to find a way out themselves," said Yi.

Guangdong To Reduce Number of Cadres

HK1301122995 Beijing ZHONGGUO XINWEN SHE
in English 0909 GMT 13 Jan 95

[FBIS Transcribed Text] Foshan, January 13 (CNS)—Guangdong Province has planned to complete its institutional reform by the end of this year. According to departments concerned in the Province, 10 percent of its current 60,000 cadres in departments and institutions directly under the provincial government will "change their job".

Some departments and institutions directly under the provincial government will be integrated and some cadres will be transferred to work in enterprises.

There are about 700 units with 60,000 staff directly under the provincial government. There are problems of institution overlapping, unreasonable establishment and low working efficiency in this sector.

On the other hand, comprehensive institutional reform will also be carried out in cities, counties and townships

across the Province. It is estimated that the number of Party and government departments and organs will be cut off by 25 percent, and that of their staff by 30 percent.

Yi Zhenqiu, Director of the provincial Commission of Restructuring the Economy, said at a meeting on restructuring the economy in the Province that the lagging in change of government functions is not only an obstruction for deepening the reform of enterprises, but also unfavourable for the setting up of a scientific macro-management system.

For the management of state-owned assets, Yi Zhenqiu pointed out that institutional reform should be integrated to speed up the setting up of asset investment institutions which deal with the investment in state-owned assets. This is to set up a new system of supervision, management and operation of state-owned assets.

He said that the provincial government will set up several holding companies and group companies. This batch of companies will be granted an authority for management of state-owned assets on a trial base. The Guangdong Provincial Materials Company, the Huaqiang Electronic Group and the Shaoguan Iron and Steel Group have so far been listed as trial units for management of state-owned assets.

Yi Zhenqiu said that these state-owned asset investment enterprises cannot perform the government's administrative functions in order to avoid the emergence of a new "flip-over companies".

Guangdong To Reform Unemployment System

HK1201150095 Beijing ZHONGGUO XINWEN SHE
in English 0922 GMT 12 Jan 95

[FBIS Transcribed Text] Foshan, January 12 (CNS)—Last year, although the unemployment rate in Guangdong Province was lower than 2.5 percent, the unemployment relief problem aroused the attention of the provincial government.

Yi Zhenqiu, Director of the provincial Commission for Restructuring Economy says that the draft regulations on unemployment insurance has, after several amendments, been sent to the provincial government for approval. Trial for reforming the unemployment insurance system will be conducted in some selected places in the Province this year, and then the reform will be formally carried out in the whole Province.

It is estimated that some 450,000 new jobs were offered to people in cities and towns in Guangdong last year; the unemployment rate in urban areas in the Province was controlled to below 2.5 percent.

To solve the unemployment problem, several methods are now being used in Guangdong. Some places give a termination pay to staff who wish to change their jobs by themselves according to their length of service, or give settlement allowance. However, the unified scheme for

unemployment insurance has not been made, so there is no concrete regulations to follow when dealing with unemployment matters.

Policies on unemployment insurance to be formulated this year are as follows. First, the Province will expand the range of unemployment insurance from staff of state-owned enterprises in to those in collective, shareholding and private enterprises as well as Chinese staff in foreign-funded enterprises in cities. Second it will adjust the methods for collecting funds for unemployment insurance and increase the channels for raising funds for this purpose. Third, it will use 80 percent of the raised funds as unemployment relief and medical allowance.

To enable people aware of the labour employment market, Guangdong has started to make preparations for the setting up of an labour information centre for South China in Guangzhou. There are so far 1032 employment agencies in Guangdong, sources say.

Guangdong Executes 30 for Drug Trafficking

*HK1201143795 Beijing ZHONGGUO XINWEN SHE
in English 1409 GMT 12 Jan 95*

[FBIS Transcribed Text] Guangzhou, January 12 (CNS)—Mr. Liu Qinghai, vice-president of Guangdong's Provincial Higher People's Court, said at today's press conference that 269 criminals involved in 183 cases had been recently brought to justice in the Province, 35 of them found of organizing and forcing women to prostitution as well as trafficking of drugs were put to death.

According to Mr. Liu, another 13 of these criminals were sentenced to a two-year suspended death, 15 got life imprisonment and 145 received five-year or above term imprisonment.

He also disclosed that in a campaign against pornography, gambling and drug waged in the latter half of last year, more than 1,400 criminals were brought to justice, over 900 of them were sentenced to five-year or above term imprisonment, life imprisonment even death penalty. In the new year, the courts in Guangdong would continue cracking down on such crimes, producing better environment for reform and openness as well as economic development.

Guangzhou Executes Six 'Drug Criminals'

*HK1301130095 Beijing ZHONGGUO XINWEN SHE
in English 1220 GMT 13 Jan 95*

[FBIS Transcribed Text] Guangzhou, January 13 (CNS)—The Guangzhou Intermediate People's Court today sentenced six drug criminals to death in a final ruling and the convicts were escorted immediately to the execution ground for implementation of death penalty.

The first defendant Ma Xiaojun, an ethnic Hui peasant from Gansu Province, was accused of offering money for drug trafficking by two female peasants from Yunnan Province who bound the drug around their bodies and

concealed some of the drug in travel bags. They smuggled on three occasions a total of 11,600 grams of heroin between April and June in 1992. They took secretly the drug from Dali, Yunnan to Guangzhou where they handed over the drug to Ma who sold 2,700 grams of the drug to the fourth defendant Liu Yongxiong. Liu, an unemployed Guangdong native, in turn, re-sold the drug for proceeds. The four defendants were found guilty of drug trafficking and sentenced to death with deprivation of political rights for whole life.

Another defendant involved in a drug case was charged with selling in several Guangdong cities including Guangzhou and Huadu 1,500 grams of processed heroin which he bought on six occasions between January and June in 1991. He was condemned to death and deprived of political rights for life.

The sixth defendant Yang Zhanxiu, a native in Ningxia, was found guilty of sending another person to sell 1,200 grams of heroin to a drug trafficker following striking a drug deal with the trafficker in Guangzhou in October, 1993. He was given a capital penalty sentence and deprived of political rights for whole life.

The six drug convicts were executed at the same time in Guangzhou.

Hubei Town Submits 'Authentic' Statistics

*HK1301135695 Wuhan Hubei People's Radio Network
in Mandarin 1000 GMT 11 Jan 95*

[FBIS Translated Excerpt] Late last year, when reporting various economic targets for 1994 to the higher authorities, Wuxingdian town in Yunmeng County did not employ the ruse of using two report forms, and compiled a form with various authentic figures, including the whole town's total agricultural and industrial output value, sales proceeds, profits and taxes, and financial revenue, and reported these to the higher authorities as they really were. [passage omitted]

Last year, the town's total agricultural and industrial output values were not that high, but financial revenue and taxes turned in by its township and town enterprises increased by nearly 100 percent over the previous year. Moreover, they kept two criteria in mind: First, do what you are capable of when issuing economic production targets to enterprises and do not shout slogans about doubling output value. And second, when compiling statistics for various economic targets of enterprise and economic entities, stress should be laid on sales proceeds, profits, taxes, and other concrete figures to present clear output value indexes. Last year, the town's sale proceeds accounted for 85 percent of its total output value. [passage omitted]

Southwest Region

Article on Tibet's Financial, Taxation Work

*OW1301111795 Lhasa Tibet People's Radio Network in
Mandarin 1400 GMT 10 Jan 95*

[Second in New Year's Series: "Looking Back at '94 and Looking Forward to '95": "Another Stride Forward Has Been Made"]

[FBIS Translated Text] In 1994, Tibet achieved marked results in financial and taxation work. The financial situation has remained good. Financial and taxation reform is a very important reform which affects all fields of work. If it is not done well, it will affect the normal operation of the overall work. Last year, Tibet, like the rest of the country, carried out a major reform of its financial and taxation systems by introducing the tax distribution system. In line with the framework of the taxation system reform in the rest of the country, Tibet adopted flexible measures by taking into account the actual conditions in the region, thereby enabling the new tax system to better meet the needs of economic development. This embodies the policy of enforcing a unified tax system and of lightening tax burdens through appropriate tax reductions. In short, Tibet's financial and taxation reform proceeded smoothly last year. It did not create a great shock to economic life, did not drive up commodity prices, and did not hamper the normal growth of revenues.

The new financial and taxation systems have played an important role in promoting the gradual establishment of a socialist market economy in Tibet. The establishment of the new taxation system has created conditions for enterprises to compete fairly on an equal footing. The new taxation system has unified the indirect tax system for Chinese- and foreign-funded enterprises, expanded the application limits of the value-added tax, eliminated the malpractice of collecting overlapping product taxes, changed the past practice of collecting income taxes from enterprises based on the nature of ownership, unified the income tax system for Chinese-funded enterprises, and embodies the principle of a fair tax system. Authority in the administration of justice has begun to be established due to the unification of the taxation laws and standardization of the taxation systems. In coordination with the indirect tax system, the tax categories set by the new taxation system have strengthened macroeconomic regulation and control by the government. The unified tax policies and the concentration of taxation power have guaranteed the steady increase of taxes. The new financial and taxation systems clearly define the power, responsibilities, and interests of the state and the enterprises. Therefore, it can help state-owned enterprises transform their operating mechanisms, strengthen economic accounting, and raise economic efficiency.

Last year, the implementation of Tibet's budget remained basically normal due to the rapid and healthy development of the national economy across the country and the smooth progress of various economic reforms, especially reform of the financial and taxation systems. The region's revenues, excluding tariffs, are expected to increase 34.8 percent over 1993; the region's expenditures are expected to increase 32.9 percent over 1993. The region's tax income set an all-time-high record. The region's tax income, excluding tariffs, amounted to 259 million yuan, an increase of 18 percent over 1993. Levying of industrial and commercial taxes was done particularly well. They amounted to 180 million yuan,

up 44 percent over 1993. This fully manifests the results of putting the new tax system into force.

The work of launching general inspections on taxes, financial affairs, and prices proceeded smoothly. According to incomplete statistics, last year investigations throughout the region led to the discovery of 27.3386 million yuan obtained illegally. Marked results were obtained in reappraising the stocks and assets of enterprises. Last year, the stocks and assets of 342 enterprises, or 65 percent of the state-owned enterprises in the region, were reappraised. Their stocks and assets amounted to 4.695 billion yuan, of which 1.451 billion yuan were fixed assets, 3.11 billion yuan were circulating funds, and 134 million yuan were other types of assets.

In 1994, the principles of serving economic development, serving social progress, and serving the purpose of improving people's living conditions were adhered to in carrying out financial work in Tibet. Tibet maintained its link with the rest of the country in its financial system and policies, but it also adopted some special preferential policies, thus creating a flexible environment for its economic development. In short, the operating conditions of the region's financial work were good. Bank deposits rose steadily; the loan structure was improved; there was an abundance of operating funds; the amount of currency put into circulation increased fairly quickly; preparations for reform of the financial system were done well; the financial situation was the best since 1990.

Last year, financial organs across the region gave prompt financial support to agriculture, animal husbandry, village and town villages, key capital construction projects, technical transformation projects, financially troubled enterprises, and impoverished areas. Loans worth about 125 million yuan were granted to help financially troubled enterprises. In the course of development of Tibet's financial, taxation, and banking work, there exist problems that should not be ignored. The tax distribution system has not been completely implemented throughout the region; some specific provisions are not entirely standardized and rational; it is necessary to earnestly study and solve the issue of the distribution of financial rights and financial resources in the autonomous region in various prefectures and cities; in the banking field, the low efficiency of credit funds and other outstanding contradictions have not been solved. Therefore, in the new year the tasks of consolidating our successes, continuing to improve and deepen reform of the financial and taxation systems, and pushing forward reform of the banking system are still very heavy.

Tibet's Agricultural Performance Reviewed

OW1301053395 Lhasa Tibet People's Radio Network in Mandarin 1400 GMT 9 Jan 95

[First in New Year's Series: "Looking Back at '94 and Looking Forward to '95": "A Respectable Harvest in a Year of Serious Natural Disasters"]

[FBIS Translated Excerpt] Beginning today, this station will start a New Year's series under the heading: "Looking Back at '94 and Looking Forward to '95." The following is the first report in the series entitled: "A Respectable Harvest in a Year of Serious Natural Disasters."

In 1994, Tibet withstood severe tests in crop and stock production. Since spring set in, insects pests, floods, drought, hail, and snow followed closely one behind the other. Some 1.4 million mu of farmland across the region were affected. It was expected that crop output would drop by 150 million kg and 35,000 households, or 121,000 people, would be affected. Three years of drought also affected the growth of forage grass, and some localities were also hit by blizzards around year's end and the New Year. It may be said that 1994 was a year of frequent natural disasters, and the situation looked grim.

In the face of serious natural disasters, party and government organs at all levels in our region adopted effective measures and spared no efforts in organizing human, material and financial resources in combating the disasters. They made appropriate arrangements for the production and livelihood of the affected people and minimized the impact of the natural disasters. Thanks to these efforts, the performance of the region's agricultural sector in 1994 was rather good, second only to the level achieved in 1993. Total output of grain was 640,000 metric tons, up 3.2 percent over the previous year. Output of rapeseeds was 27,500 metric tons, up 22 percent; meat, 106,000 metric tons; wool, 8,800 metric tons; and the amount of stock on hand at year's end, 23.2 million head; all of them registered increases over 1993. Per capita income of peasants was 555 yuan, higher than in 1993.

Generally speaking, the region achieved sustained and steady growth in crop and stock production in 1994. The main characteristics are as follows:

First, while ensuring steady development of grain production, the region readjusted the crop structure by increasing the area planted with cash crops by 70,000 mu over the previous year.

Second, there was greater use of advanced technology in crop and stock production. Research on crop farming was focused on development of fine strains while top priority was given to the development of grasslands in research on stock production. The region completed 19 scientific research projects and provided technical training to over 10,000 farmers. Farmlands that were contracted for technical farming amounted to 1.4 million mu; the region adopted 98 fine strains and planted 2.1 million mu of farmlands with fine strains. The "Bumper Harvest" plan was implemented on over 1 million mu of farmland. In stock production, the region continued its efforts to improve livestock. During the year, 15,000 head of yaks, 28,000 head of cattle, 30,000 head of sheep of improved strains were bred, producing tangible economic results.

Third, village and township enterprises expanded enormously and vigorously. In 1994, there were 4,018 village and township enterprises in Tibet employing 42,000 people. Their output accounted for 10 percent of the region's agricultural output and their total income stood at 250 million yuan. [passage omitted]

Fourth, new progress was made in comprehensive development of farming and stock breeding, development of disaster-proof livestock production bases, and construction of farmland water facilities. [passage omitted]

Fifth, new progress was made in antipoverty efforts. Efforts to assist poor regions by introducing science and technology or providing them with credits paid off with marked results. During 1994, 55 million yuan in loans were extended to the impoverished, and 1,369 poverty-stricken families comprising 9,777 people shook off poverty.

Sixth, thanks to the increase of grain procurement prices and that in livestock product prices, the peasants were more dedicated to increasing their income.

Tibet Promotes Spiritual Civilization

OW1301021395 Lhasa XIZANG RIBAO in Chinese
28 Dec 94 p 1

[By XIZANG RIBAO reporter Fu Kaiyou (0126 7030 0147): "The Autonomous Region Has Scaled New Heights in Constructing Spiritual Civilization"]

[FBIS Translated Excerpt] The Tibet Autonomous Region has scored great achievements in constructing spiritual civilization. Our reporter learned this on the afternoon of 27 November, at a summing-up and commendation meeting for the work of the region's cultural departments in 1994.

In 1994, the autonomous regional cultural departments have seriously studied and implemented the guidelines of the "two meetings"; adhered to the direction of "serving the people and socialism" and the principle of "letting a hundred flowers blossom and a hundred schools of thought contend"; and centered their efforts on building a new socialist culture around Tibet's development and stability, so that cultural undertakings would again flourish in our region. Their efforts could mainly be seen in the following aspects:

—We have improved the cultural life of peasants and herders by taking mass cultural work as our central task. [passage omitted]

—Brilliant artistic undertakings have again been conducted. This year, three artistic troupes directly under the autonomous authorities actively wrote and performed a number of new shows and songs; staged a big performance; and went to the grass roots to present special performances to peasants, herders, and troops in Tibet as an expression of gratitude and appreciation. Altogether, they presented 536 performances this year, including 88 in rural areas. [passage omitted]

- We have significantly improved the standard of cultural relic preservation and management. We completed the Potala Palace renovation project, which attracted worldwide attention, and held colorful celebrations, succeeding in satisfying the central authorities, autonomous region, and the masses. [passage omitted]
 - Our press and publication administrations have achieved splendid results in promoting reform and improving management. Publication departments have comprehensively implemented the system of management by objective, and distribution departments have fully implemented the contract system for business volume, reaping both social and economic benefits. By the end of October, we had published 74 manuscripts, including over 30 in book forms, and 473 sets of teaching materials for spring and autumn sessions—a total of 3 million printed copies have been produced. [passage omitted]
 - We have enacted legislation and regulated the management of our cultural markets. To cleanse our cultural markets, we have intensified and improved the management of markets for books, newspapers, periodicals, movies, television shows, and audio and video products. We have “fought pornography” while letting culture flourish. We have also supervised the manufacture of, ordered, and issued “cultural business licenses” and “PRC cultural market inspection cards”; established “a system for governing cultural business licenses” and “a system for inspecting our region’s cultural markets”; and formulated the “Tibet Autonomous Regional Interim Regulations for the Management of Cultural Markets.”
 - Our external cultural exchanges have gradually expanded and become more active. This year, we organized 14 government and people-to-people cultural-exchange events, and sent 14 troupes [groups] comprising 127 people to perform and hold more than 20 exhibitions in over 10 cities in such countries as Austria, France, Sweden, Czechoslovakia, Romania, Poland, Nepal, and the ROK, as well as Hong Kong, Macao, and Taiwan Regions. We have conducted fruitful work to promote Tibet, increase exchanges between the cultural circles of our region and other countries, improve friendship between peoples, and crush the conspiracies of splittist forces outside Chinese boundaries.
- Presenting awards to 11 advanced collectives from cultural departments were Laba Pingcuo, vice chairman of the autonomous region; Qun Jue [5028 6030], deputy head of the autonomous regional party committee propaganda department; Luo-sang-xin-ba [3157 2718 2450 1572], chairman of the education, science, culture, and public health committee of the autonomous regional people’s congress; and Jing Song [0513 2646], deputy secretary general of the autonomous regional people’s government.
- Xizhulangjie, director of the autonomous regional cultural department, made plans for work in 1995, and presented certificates to 53 outstanding cultural workers.

Japan's Claim Over Ryukyus 'Not' Recognized
*OW1301030295 Taipei CNA in English 0234 GMT
13 Jan 95*

[by Benjamin Yeh]

[FBIS Transcribed Text] Taipei, Jan. 12 (CNA)—The ministry of Foreign Affairs reported on Thursday [11 January] that the government does not recognize Japan's territorial claim over the Ryukyu islands, thus making invalid the charge that a Taiwan marine police boat intruded into Japanese territorial waters near the islands on Monday.

Ock Leng, spokesman for the ministry, said an investigation into the incident is under way, and that Japan will be notified of the results. The incident reportedly occurred while the patrol boat was chasing a vessel suspected of attempting to smuggle goods into Taiwan.

After Japan surrendered to end World War II in [words indistinct] the United States took control of the Ryukyu islands, but handed the chain over to Japan in 1972.

The ROC [Republic of China] Government opposed the unilateral American move, however, insisting that the issue of ownership of the Ryukyus be resolved jointly by World War II allies in accordance with the terms of the Potsdam Declaration of July 1945, the Cairo Declaration, and the Japanese Peace Treaty signed in San Francisco in 1951.

Earlier on Thursday, the semi-official Interchange Association of Japan sent a message to its ROC counterpart, the Association of East Asia Relations, to express its concern over the alleged intrusion of the patrol boat into Japanese territorial waters.

Both organizations were created to represent the interests of their respective countries in the absence of official diplomatic links.

Mainland-Taiwan Symposium Opens in Beijing
*OW1201142995 Beijing XINHUA in English 1129
GMT 12 Jan 95*

[FBIS Transcribed Text] Beijing, January 12 (XINHUA)—Exchanges between the mainland's and Taiwan's securities industries were boosted by the opening of the Second Mainland-Taiwan Symposium on Securities and Futures Legal System here today.

More than 200 experts and scholars from both sides of the Taiwan Straights attended today's opening ceremony.

The symposium is being sponsored jointly by the Securities Association of China, the Shanghai and Shenzhen securities exchanges, and the Taiwan-based Fu Jen University.

According to the sponsors, the three-day meeting will focus on such topics as legal systems concerning securities and futures markets, over-the-counter trading, credit trading, disclosure of information and risk control for futures markets.

"We have many similar experiences in developing the securities industry," said Luis A. Chang, president of Fu Jen University, "and I think the main task now facing the mainland industry is how to establish a standard futures trading system."

The First Mainland-Taiwan Securities and Futures Symposium was held in Taiwan in June 1993, at which dozens of mainland and Taiwan experts compared the two sides' securities and futures markets, according to sources at the meeting.

Jin Jiandong, chairman of the Securities Association, said that similar activities should be held regularly in the future, with the aim of boosting nongovernmental economic exchanges between the mainland and Taiwan.

Swazi Government Delegation Visits Taipei
*OW1201025295 Taipei CNA in English 0134 GMT
12 Jan 95*

[By Flor Wang]

[FBIS Transcribed Text] Taipei, Jan. 11 (CNA)—An 11-member official delegation from the Kingdom of Swaziland, led by Foreign Affairs Minister Solomon M. Dlamini, arrived in Taipei on Wednesday [11 January].

The delegation, which also comprises Economic Planning and Development Minister Themba Masuku and Commerce and Industry Minister Muntu Mswane, was greeted at Chiang Kai-shek International Airport by Foreign Affairs Minister Chien Fu. During their stay, they will visit President Li Teng-hui, Premier Lien Chan and other high-ranking officials.

Solomon, on behalf of the Swazi Government, will sign a joint communique and an agreement on handicraft cooperation with the ROC [Republic of China]. Masuku will attend the first ROC-Swaziland economic and technical cooperation conference on Thursday. The Swazi delegation is scheduled to leave Taiwan on Jan. 18.

Telecommunications Infrastructure Viewed
*BR1201155495 Maidenhead TELEFACTS in English
Jan 95 pp 6-11*

[Article by Sakina Dhillawala: "Taiwan: The Commercial and Regulatory Environment"]

[FBIS Transcribed Excerpt] Taiwan in one of Asia's fastest growing economies with an annual per capita income of US\$ 10,364 in 1993. Although the country has been slow in implementing some services, the government has stepped up telecommunications development over the past two years. As of June 1994, Taiwan had a

telephone density of 39 main lines per 100 population - within the top five highest penetration rates in the region. By the end of the Sixth National Development Plan (1991-1996), the Directorate General of Telecommunications (DGT) plans to increase this to 44.5 per 100 population. Although the government has announced gradual liberalization of certain services, such as the cordless CT2-based service and international leased lines, its emphasis remains in modernizing the country's network infrastructure and expansion into regional markets, rather than introducing a competitive marketplace. [passage omitted]

Although the telecommunications environment is not completely liberalized, the Taiwanese government has introduced a gradual deregulation for private sector investment. Apart from the customer premises equipment (CPE) and value-added network services (VANS) markets, which have already been deregulated, the government has started to gradually liberalize five other areas of the telecommunications sector, starting at November 1, 1994. These are:

- Cordless telephone services based on the CT2 standard;
- Paging;
- Packet-switched data communications services;
- Facsimile store-and-forward service;
- International leased circuits.

Apart from the CT2-based service, which has yet to be introduced in the country, the above services are currently monopolized by the Directorate General of Telecommunications (DGT). The DGT is Taiwan's telecommunications service provider and regulatory body.

Currently, Taiwan's telecommunications services are provided by a nationwide network of fixed telephone lines, satellites, microwave, and cellular mobile telephony links. Services offered include data communications, ISDN, and videoconferencing. Although the country has been slow in implementing some services, such as mobile telephone services, the government has stepped up telecommunications development over the past two years.

The PTO Today

Currently, the Directorate General of Telecommunications (DGT), a State-run business operating under the arm of the Ministry of Transport and Communications (MOTC), is responsible for providing all basic voice and data transmission facilities in Taiwan. Apart from its role of operator, the DGT also formulates and implements all policies related to telecommunications.

The Director General is supported by two deputies who assist in the operations and management of the telecommunications sector. Domestic telecommunications falls under the responsibility of the Long Distance Telecommunications Administration (LDTA) while international activities, such as satellite communications, is the responsibility of the International Telecommunications

Administration (ITA). Administration of telecommunications in Taiwan is broken into three regions:

- Northern Taiwan Telecommunications Administration;
- Central Taiwan Telecommunications Administration;
- Southern Taiwan Telecommunications Administration.

In addition, the DGT also oversees three non-profit centers: Data Communications Institute, which was established in 1982 to handle all data communications services, Telecommunications Training Institute, which organizes training programs for the 36,000 staff of the DGT, Telecommunications Laboratories, which conduct research and development for the DGT (with a yearly budget of \$50 million).

Privatization

A new Telecommunications Law, as initially drafted, sought to establish Chunghwa Telecommunications Corporation (CTC) as a State-owned domestic monopoly late in 1992. Under its provisions, the DGT would remain responsible for regulatory affairs, the monitoring of future joint ventures, and the control of tariffs. As of June 1994, the Telecommunications Act has been approved by the MOTC and is now pending in the hands of the Executive Yuan (the Cabinet).

In 1992, the Directorate launched publicity campaigns nationwide including regional symposia, publications and a series of lectures with foreign guests addressing the subjects of corporatization and structural reform. The Corporate Identity Scheme (CIS) established by the DGT in 1991 promotes Taiwan's largest enterprise externally.

The Telephone Network

Development of the telecommunications infrastructure in Taiwan has been largely achieved through a series of development plans. The country's current development plan, the Six Year National Development Plan (1991-1996) seeks to achieve the following:

- 100 percent digitalization of toll switching and transmission systems, as well as of the international network by 1994.
- Enhancement of fiber links between toll and local exchanges,
- installation of 23,000 km of fiber cable by 1996 with concomitant development of optical fiber subscriber loops.
- Construction of the Chungshan Freeway Optical Fiber communications system. This was completed in 1992 and involves 420 km of toll circuits and fiber trunks with 36 x DS-3 capacity.
- Completion of the 300 km Taiwan-Matsu submarine fiber system by 1993. This was completed at end-1992 and involves 3DS-3 optical fiber switching equipment with capacity providing 21 telecommunication services, including subscriber toll-dialing.
- Installation of a national private network by 1994.

- Development of the Asia-Pacific cable (in which DGT holds a 13.44 percent share) linking Taiwan with Japan, Hong Kong, Singapore, and Malaysia. This project was completed in August 1993, increasing the country's outbound lines to 7,410.
- Deployment of a nationwide personal communications network.
- Launch of SS No.7-based intelligent network by 1993.
- Implementation of a pilot ISDN commercial service by 1994.

As of June 1994, Taiwan had a telephone density of 39 main lines per 100 population. This is the fifth highest penetration in the region - Hong Kong, Japan, Korea, and Singapore all have a higher density. By the end of the Sixth National Development Plan (1991- 1996), the DGT plans to increase this to 44.5 per 100 population. During fiscal 1994, telephone subscriptions grew by 547,058 to 8,209,557 - a 7 percent increase over the previous year.

Digitalization of the country's telephone network has been ongoing. During fiscal 1994, a total of 1,729,260 lines of GTD-5, SESS, S-12, and TC-5 digital switches were added, phasing out a total of 1,374,300 analog switches. The lines have been supplied by three vendors, namely AT&T, Alcatel, and Siemens. The three companies bid against each other for any contracts put out by the DGT.

As of June 1994, the total capacity of local switching equipment was 11,281,386 lines of which approximately 84 percent were digital. During fiscal 1994, the DGT completed the installation of 740,000 additional lines to the digital toll switching system, increasing the digitalization rate to 99.74 percent. Full digitalization of the toll switching system was expected to be completed by the end of 1994.

The DGT's overall deployment of the ISDN service can be divided into three phases:

- Field trial phase (1989-1993);
- Commercial phase 1 (1994-1996);
- Commercial phase 2 (after 1997).

The ISDN network is made up of three switches from three different vendors connected to each other directly with leased T1 trunks. The switches are supplied by AT&T (SESS), Alcatel (S12), and Siemens (EWSD). The basic-rate interface structure is composed of two 64K bps B channels and one 16K bps D channel. During commercial phase 1, the DGT plans to officially market the service. A field trial for broadband ISDN is expected to begin in June 1995.

Development of the DGT's fiber-optic cable network is ongoing. During fiscal 1994, the DGT said it laid 134,900 km of local telephone optical fiber trunks and 32,800 km of subscriber loops in the country, thereby enabling it to utilize 2,912,974 circuits of optical cable as transmission circuits for the local telephone trunk networks.

The long-distance network, which covers facilities and equipment in the areas of Taiwan, Penghu, Kinmen, and Matsu, is provided through the DGT's island-wide cable network. The network stretches over 132,130 km and runs along two different routes encircling the entire island. The first runs along the Chungshan Freeway and the Provincial Highway, and the second runs along the Coastal Highway and along the Eastern Section of the North-South Trans-Island Railway.

To improve the quality of long-distance communications between Taiwan and the offshore islands, the DGT is planning to construct a Taiwan-Kinmen and Taiwan-Matsu submarine optical fiber cable system. Currently, the DGT's submarine optical fiber cable system consists of the Tainan-Penghu-Kinmen and the Taiwan-Matsu systems. Although long-distance links within the country are established through fiber-optic cable, two digital microwave systems on the east and west coasts of Taiwan serve as backup. As of June 1993, the number of digital microwave circuits totaled 79,152.

International Network

International traffic continued to play a vital role in revenue earnings for the DGT during fiscal 1994. The number of outgoing calls rose by 17 percent over the previous year, with a rise in international calls which was stimulated by increased traffic between Taiwan and mainland China. According to the DGT, there was a 40 percent increase over the previous year in telecommunication traffic between the two countries.

The DGT added 1,822 lines for a total of 8,739 international voice-grade circuits during fiscal 1994. It currently provides 16 international telecommunications services, including international toll-free, international videoconferencing, and enhanced telephone card (ET Card). New services expected to be introduced in 1995 include Global Network Services, Visaphone, and Audiotex.

Investments in international optical submarine cable systems are carried out by the International Telecommunications Administration (ITA). Taiwan has made several investments through joint ventures in the Asia-Pacific region - including the following cable systems:

- The Asia-Pacific Cable;
- The Australia-New Zealand No. 2 Cable;
- The No. 5 Hawaiian Cable linking Hawaii to California;
- Brunei-Malaysia Cable;
- Brunei-Singapore Cable;
- The No. 4 Trans-Pacific Cable linking California, Japan and Canada;
- SEA-ME-WE Cable linking South East Asia, the Middle East and Western Europe.

Satellite Communications

To provide telecommunications services in the mountainous areas and offshore islands, the DGT has been renting the No. 63 transponder of the fifth satellite from

Intelsat since 1989. The DGT says it plans to rent three more transponders from the seventh satellite, although plans to launch a satellite have not been finalized. Under the proposed project, the DGT has approached Singapore Telecom for a joint investment to launch a \$215 million communications satellite. The investment covers purchase of a 12-transponder satellite, launch, insurance, and ground-control costs.

International telecommunications are currently provided via three Standard A satellite earth stations in Taipei. In April 1994, a new earth station targeting Intelsat's satellite above the Indian Ocean was completed. In addition, the DGT is planning to construct a coastal earth station to function as a connecting terminal for maritime and inland communications with neighboring countries. However, the recent inauguration of the Asia-Pacific fiber-optic submarine cable system is expected to ease the DGT's dependence on satellite transponders for international telecommunications services.

Data Communications

The DGT's Data Communications Institute (DCI) provides a number of data and value-added services.

Pacnet - Introduced in 1984, Pacnet transmits at a speed of 2,400 bps and is supported by 5,600 switching lines. During fiscal 1994, the service had 4,328 subscribers, a 10 percent growth over the previous year.

Frame Relay - Frame Relay data networks were completed in June 1993 with six points are Taipei, Taoyuan, Hsinchu, Taichung, Tainan, and Kaohsiung. The networks can provide 200 service ports and have speeds of 62-1,536 bps.

Value-Added Network (VAN) Services

To promote the development of value-added telecommunication services in the country, the MOTC liberalized the VAN services market in 1989. Under current conditions, however, foreign VAN service providers are required to operate either through a local agency or distributor, or one of the partners must be a Taiwan citizen owning at least half the company. Permitted value-added services include:

- Information storage and retrieval;
- Information processing;
- Remote Transaction processing;
- Word processing and editing;
- Voice store-and-forward;
- Videotex store-and-forward electronic bulletin board;
- Electronic data interchange (EDI).

According to the DGT, at the end of 1993 there were 44 licensed VAN service providers in the country. At the end of 1992, total revenue from VAN services in the country was \$83.6 million.

VAN services offered include:

- **HiNet**, which provides domestic connections to the international Internet network. The DCI began the planning and construction of HiNet in November 1993 and as of March 1994, had completed Phase I of the construction. Four points at Taipei, Hsinchu, Taichung, and Kaohsiung are already in operation.

- **Hi-Fax**. Introduced in 1991, the number of subscribers to this store-and-forward service rose 46 percent to 780 in fiscal 1994.

Videotex. The DGT videotex service has more than 70 databases covering Taipei, Taichung, Kaohsiung, Taoyuan, Hsinchu, Changwa, Chiayi, and Tainan. The service has seen a steady rise in subscribers, and as of June 1994 there were 15,337 subscribers (19 percent up on 1993).

- **Motor Vehicle Driver Network (MVDNET)**. MVDNET provides information storage and retrieval regarding Taiwan's 24 million motor vehicles, highway statistics, transaction processing by vehicle-inspecting agencies, and customs services. As of June 1994, the service had 1,099 subscribers - a 46 percent increase over the previous year.

- **Multi-Access Reservation Network (MARNET)**. MARNET is an airline reservation system allowing users with either a terminal or a personal computer to access services offered by the system. By the end of fiscal 1994, the service saw a 25 percent increase in subscribers over 1993 to 1,099.

Mobile Communications

Cellular

Since the introduction of cellular mobile telephony in Taiwan in 1989, the service has been provided under the sole monopoly of the DGT through its subsidiary, the Long Distance Telecommunications Administration (LDTA).

The DGT's current system is based on the AMPS standard using the 825-845 and 870-890 MHz bandwidths with equipment supplied by Ericsson. The service currently provides coverage in 95 percent of the cities and districts, and 90 percent of the principal highways in the country. To cater to the rural and mountainous areas, repeaters were installed during the early stages of the development of the service. The DGT's network is currently equipped with eight mobile telephone exchanges and 303 mobile base stations distributed throughout the whole island, providing 15,178 radio voice channels. By the end of June 1994, according to the DGT, there were 562,000 subscribers—giving the country a penetration of 2.67 subscribers per 100 population. Since the service was launched in 1989, it has been attracting an average of 14,000 mobile subscribers each month.

GSM

As with most countries in the Asia-Pacific region, Taiwan has chosen the European GSM standard for its move to a digital cellular network. In October 1994, the DGT awarded a contract to Northern Telecom to provide a \$110 million digital cellular system. When fully operational in 1996, the network will support 500,000 subscribers. According to the DGT, development of the GSM system will be divided into three phases. The first phase will involve the development of the network in the three metropolitan areas of Taipei, Taichung, and Kaohsiung. In the second phase of the development, the DGT will expand the service to include Chiang Kai Shih International Airport, as well as the Chungshan Freeway, while the third phase of development will attempt to cover the entire island.

CT2

The cordless CT2 standard-based service is expected to be available in Taiwan by 1996. In October 1994, the Ministry of Transport and Communications (MOTC) announced that it will open up the country's mobile telephone market to the private sector. The service to be provided, however, will be initially restricted to a one-way service, and coverage will be in the three metropolitan areas Taipei, Taichung, and Kaohsiung. The DGT has said that a maximum of three operators will be allowed in each area. The successful operators for the service are expected to be announced by early 1996.

Paging

The DGT currently has two paging services in operation. At the end of fiscal 1994, both the nationwide services - one single tone and one alphanumeric - have a combined subscriber base of 1.55 million (this represents a 23 percent increase in the number of subscribers over fiscal 1994). [as published] With service density of 7.35 per 100 population, this places Taiwan third in the region after Hong Kong and Singapore. On average, 30,000 new subscribers signed up each month during fiscal 1994. To encourage subscriptions to its alphanumeric service, the DGT reduced tariffs twice in fiscal 1994. As with the CT2 service, there are plans to liberalize the paging service by the first quarter of 1995.

The paging equipment market is one of the few sectors to have been liberalized in Taiwan - since 1990, in fact, consumers have been able to buy pagers from retail outlets (independent of the PTO). As a result, local companies eager to get a slice of the market have mushroomed. In particular, several local companies, including Vidar-Sun Moon Star, Dah Yang Industry Company, Unication, Tres Corporation, Smartek Technology, and Falcontek Corporation have decided to capitalize on the market and start manufacturing paging equipment. Among foreign companies, Motorola, Panasonic, and NEC are major suppliers of paging equipment.

Videoconferencing

International videoconferencing was introduced in May 1989 providing links to the U.S.A., Hawaii, the U.K., Japan, Singapore, and Hong Kong via International Business Service (IBS) satellite circuits.

The Future

Over the years, Taiwan has made considerable progress in developing its telecommunications infrastructure. Its commitment to further improve the facilities and build the country into a telecommunications hub is evident from the DGT's six-year telecommunications development plan - and its achievements to date. Despite liberalization proposals, the government-mandated infrastructure plans should ensure little erosion of the DGT's monopoly status. Like Singapore, the Taiwanese authorities remain protectionist and committed to ensuring returns on costly development programs. Although the government has announced gradual liberalization of certain services, such as cordless CT2-based service and international leased lines, its emphasis remains in modernizing the country's network infrastructure and expansion into regional markets, rather than introducing a competitive marketplace.

*KMT Criticized for Amending Recall Law

95CM0050A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 398, 29 Oct 94 p 8

[Article by Sima Wenwu (0674 7456 2429 2976): "KMT Plays With Fire"]

[FBIS Translated Text] In just two short weeks the Kuomintang [KMT] twice proposed amending the recall law. Its sole objective is to raise the recall threshold significantly to protect its four pro-nuclear power lawmakers threatened with recall. The KMT's move is an arbitrary attempt to change the rules of the election game with absolutely no regard for its justifiability and legality. In treating the Legislative Yuan like a place where the law of the jungle reigns and the law as a mere political weapon, the KMT is simply playing with fire.

Whether or not the recall law is fair, it has an enormous impact on election results. Changing the rules of the game may change its outcome. For this reason, no democracy enacts or amends this kind of law without a most cautious process, which is also where a host of political forces check and balance one another. Every ruling party has an instinctive urge to amend the law to make it more favorable to itself, an urge that is usually brought under control effectively in a democracy where the rule of law and justice do matter. The KMT, on the other hand, continues to indulge in such urges as it pleases.

The purpose behind the enactment of the recall law from the outset has been to protect the KMT's ruling party status. The law used to be loaded with all manner of strange articles and provisions because its only raison

d'être was to ward off menacing non-KMT figures. With the Democratic Progressive Party becoming more and more powerful by the day, the law was finally shorn of its more unorthodox provisions after successive amendment. However, there has never been a genuine recall vote so far. Now the considerable success of the anti-nuclear groups in their campaign for a recall has sent the KMT scurrying to have the law amended time and again in order to protect the interests of four lawmakers. In the process it has tossed to the wind the principle of the non-retroactivity of law.

The most ludicrous excuse offered by the KMT is that lawmakers should not be held responsible for the public policy proposals they make. Actually such exemption gives representatives of public opinion immunity from legal liability, not political liability. Otherwise why bother to have elections? These are basically two different things which have now been lumped together. The political standard of some lawmakers is so low that it is an embarrassment to talk about.

A cornered beast will do something desperate. In its eagerness to come to the aid of its lawmakers, the KMT party organization has resorted to this stupid move, a move that makes even KMT lawmakers, including those that are threatened with recall, feel a tad uneasy. Some KMT party whips are capable of doing the most shameful things and saying the most unreasonable words. They quote Chairman Li as ammunition. As long as one has the boss's backing, who cares if one is condemned by a million people? After all, a faithful dog will be richly compensated.

Li Teng-hui propagates the "popular sovereignty" concept everywhere and asks people to develop a sense of being in charge of the nation. What a high-minded idea! With the party whips treating public opinion as a "lottery" and the law as something to be manipulated, the "popular sovereignty" slogan has become a mockery.

***Book on KMT 'Party-State Capitalism' Analyzed**
95CM0051A Taipei TZULI WANPAO in Chinese
1 Nov 94 p 3

[Article by Peng Lin-sung (1756 3829 3247): "Party-State Capitalism Profits Ruling Party"]

[FBIS Translated Text] "An Anatomy of Party-State Capitalism" was published by some members of the economic and social group of the Cheng Society back in 1991. A critique of the privatization of state-run enterprises in Taiwan, the book got rave reviews as soon as it came out and was selected as one of the ten best books for the year by the "Reading" page of SHI PAO. Academic circles and media overseas now have a deeper understanding of Kuomintang [KMT] party-state capitalism.

The book was written by six people. They are Chu Ching-yi [2612 2417 0001] (Department of Economics, Taiwan University), Lin Chung-cheng [2651 1813 2973] (Social Science Institute, Academia Sinica), Shih Chun-chi [2457 0193 0679] (Social Science Institute, Academia Sinica), Chang Hsing-hsi [1728 3237 3305] (Department of Economics, Taiwan University), Chen Shih-meng [7115 1597 1322] (Department of Economics, Taiwan University), and Liu Chin-tien [0491 6930 3240].

The book argues that the so-called Three-People's-Principles economic system in Taiwan is not capitalism, as those who criticize Taiwan as the capitalists' paradise see it. Nor is it a command economy, which is how critics of the big-brother style of government characterize it. It is not even a mixed economy blending the market economy with a planned economy. The book describes it as a strange half-blooded creature unique in the world. Structurally this creature consists of four layers. 1) The outermost layer is laissez-faire economics. Market operations and private economic activities are allowed, but the government often does as it pleases and carries out selective intervention openly and otherwise. 2) Underneath the veneer of laissez-faire economics is capitalism. The government secretly colludes with leading capitalists and large foreign corporations while seldom paying any attention to the strata who are powerless and grass-roots organizations unless they can be exploited. 3) Stripped of its outer layers, the creature now reveals an interior of statism. Not only does the government restrain private economic activities in all sorts of ways, but it is itself a predominant player in the economy, heavily involved in a wide range of economic undertakings. This has driven up both government budgets and those of public enterprises to an extent that is almost as bad as in socialist nations. 4) The worst thing is that it is the centralization of state power and one-party dictatorship that lie at the heart of all the layers mentioned above, sheltered by them. All market privileges monopolized by the government on the strength of some rules or regulations or business units created by the government with an economic pretext inescapably become the tools of the ruling party. The government has a tight grip on the direction of economic development and reaps the benefits of heavy involvement in the economy. Instead of realizing the principle of "the entire people sharing the fruits," this system only fattens one party. Under the slogan of "merging the party and state into one," the joining of the coffers of the state with those of the party has been legitimized improperly.

Since there is no existing term for it, the book tentatively calls this system in which party and state power and economic interests are all interwoven "party-state capitalism" in order to highlight its insidious nature: A political party places itself above the state and capital squeezes out democracy.

The book has struck a responsive chord in academic circles and the media, both domestic and overseas, in the three years since its publication.

- December 1992. The Chinese Economics Society in Taiwan issued a statement "opposing party involvement in economic activities."
- December 1991. TSAI HSUN, a Taiwan publication, called the KMT the "biggest consortium in the country."
- September 1992. CHO YUEH magazine identified KMT-run enterprises as the sixth largest enterprise group in the nation.
- December 1992. The Chinese edition of FORBES magazine in Taiwan noted that party-run enterprises "are not doing well but earn extraordinary profits."
- December 1992. The ASIAN WALL STREET JOURNAL published in Hong Kong said that "enterprises run by the ruling party are a major secret worry and threaten Taiwan's political and economic future."

- February 1993. The "Fair Trading Commission" in Taiwan announced its black list of monopolistic enterprises. Party-run enterprises occupied the second spot behind state-run businesses.
- April 1993. Japan's WENYI CHUNCHIU said "the ruling party is Taiwan's largest tycoon."
- August 1993. TIME, the American magazine, claimed that the ruling party has accumulated wealth by monopolizing the economy over the decades.
- August 1993. TIME said that the ruling party makes money from its party-run enterprises and uses the funds to mobilize the public at election time.
- March 1993. CHO YUEH noted that party-run enterprises have a worse reputation than the five major corporations.
- September 1994. Ta Chuan San Fu [1129 1557 0005 133], a Japanese, translated "An Anatomy of Party-State Capitalism" into Japanese and had it published.

Hong Kong

PWC Criticizes Patten Over Officials' Files

HK1301073395 Hong Kong SOUTH CHINA
MORNING POST in English 13 Jan 95 p 2

[By So Lai-fun in Beijing]

[FBIS Transcribed Text] China's working panel on the transition yesterday accused Governor Chris Patten of breaching the Joint Declaration by refusing Beijing sensitive information on senior government officials. Xiao Weiyun, mainland co-convenor of the Preliminary Working Committee's [PWC] Political Subgroup, said it was wrong for the Hong Kong Government to only hand such information to the chief executive of the post-1997 government.

"The Joint Declaration states clearly that matters concerning the handover are matters for the two sides, so why has Mr Patten said they would hand over the information to the chief executive but not Beijing?" Mr Xiao said. Mr Xiao also attacked the Secretary for Civil Service, Michael Sze Cho-cheung, for saying the confidential information would be sent to London. "The matter involves the foreign relationship between the two countries and the implementation of the Joint Declaration. What's their intention in delivering the information to London? Beijing should have a basic understanding about the civil servants in their recruitment and appointments.... How can there be a smooth transition and stable handover if they [British officials] take away all this information?" Mr Xiao said.

Mr Xiao dismissed the claim that handing over such information might stir fears among senior civil servants that they were being politically screened. "The PWC's sub-committee on civil servants understand their views and will handle the matter properly," Mr Xiao said.

Hong Kong co-convenor Leung Chun-ying said the information was essential for the central government to appoint principal officers as provided for in the Basic Law. "While the chief executive has the information to nominate, it is impossible for the central government to make the appointment if it is deprived of such details. We should make clear it is a genuine appointment. No matter through which channels the information is obtained, the most important thing is that we have the details."

Mr Leung said a "genuine" appointment meant the central government could veto it.

A Hong Kong government spokesman said last night that the civil service's transition was being discussed in the Joint Liaison Group. "But I am sure that the community will understand our concern not to damage the confidence and morale of civil servants in the way in which we handle personal and confidential information about civil servants."

Committee on Structure of Hong Kong Government

HK1201151495 Beijing ZHONGGUO XINWEN SHE
in English 1409 GMT 12 Jan 95

[FBIS Transcribed Text] Beijing, January 12 (CNS)—The 13th meeting of the Political Affairs Sub-Group of the Preliminary Working Committee (PWC) of the Hong Kong Special Administrative Region (SAR) ended today after two days' discussions.

At today's meeting, the issues of formation of government departments and appointment of senior officials of the first Hong Kong SAR government were discussed.

Members were of the opinion that to ensure a stable transition period and smooth formation and operation of the first SAR government, the existing government departments created by the British-Hong Kong regime, with the exception of a few that necessitated restructuring as required by the Basic Law in accordance with China's resumption of sovereignty over Hong Kong, could remain unchanged.

Members pointed out that in accordance with article 60 of the Basic Law regarding the establishment of a Department of Administration, a Department of Finance, a Department of Justice and various bureaux, divisions and commissions, to establish the three departments was explicit. As to the formation of departments and commissions and whether they should be re-organized, the staff should be increased or decreased, this could be left to the Hong Kong SAR government. But for establishment of governmental bodies and the senior officials who should be appointed by the central government and their numbers should be decided by the Working Committee [name of body as received] of the Hong Kong SAR due to be established next year.

The Monetary Authority, established in April 1993, was a merge of the Banking Commission and the Foreign Exchange Authority set up by the British-Hong Kong government. Although the Monetary Authority was not a government department in name, it was executing the functions and power of a government department and was also partially functioning as a central bank. In view of its importance, members recommended that after 1997, the chief executive of the Monetary Authority was to be treated as a senior official and re-named Director of Monetary Affairs Bureau. Its eligibility must conform to appointment of senior officials regulations as laid down in the Basic Law. The employment conditions of the Monetary Authority would remain unchanged after 1997.

Members also recommended that the Constitutional Affairs Branch be re-named Constitutional Affairs Bureau. As to its functions after 1997, this would be decided by the SAR government. In accordance with the Basic Law and making reference to the current status of the Hong Kong government structure, members recommended that the list of 27 senior official posts of the first Hong Kong SAR government as follows:

Administrative Secretary and his deputies, Financial Secretary and his deputies, Secretary of Justice and his deputies;

Director of Civil Service, Director of Security, Director of Education Affairs, Director of Health Affairs, Director of Land and Planning Affairs, Director of Culture and Recreation Affairs, Director of Transport Affairs, Director of Home Affairs, Director of Constitutional Affairs (now Constitutional Affairs Branch), Director of Economic Affairs, Director of Treasury (now Finance branch), Director of Finance and Economic Affairs, Director of Industrial and Commercial Affairs, Director of Public Works, Director of Housing Affairs, Director of Monetary Affairs Bureau (now Chief Executive);

Commissioner Against Corruption, Director of Audit (now Auditing Department), Commissioner of Police, Director of Immigration, Commissioner of Customs and Excise.

Conveners of the Political Affairs Sub-Group, Leung Chun Ying and Xiao Weiyun told reporters tonight that after the above list was further studied by the PWC, it would be submitted to the Working Committee.

Constraints Suggested for Future Monetary Chief

HK1301073295 Hong Kong SOUTH CHINA
MORNING POST in English 13 Jan 95 p 1

[By So Lai-fun in Beijing]

[FBIS Transcribed Text] The Monetary Authority's chief executive should be one of the principal officials subject to the nationality and appointment requirements of the Basic Law, the Preliminary Working Committee's Political Subgroup said.

Co-convenor Leung Chun-ying said members had made the suggestion be cause of the authority's function of regulating Hong Kong's financial system. The authority head was among the 27 principal officers the sub-group listed in yesterday's meeting.

According to the Basic Law, principal officers should be nominated by the chief executive and appointed by the central government.

The authority's head should be renamed director of the Monetary Bureau but his recruitment conditions should remain unchanged. The subgroup also decided that the basic government structure should remain unchanged, but government branches should be named "bureaus".

***Commentary on District Board Election Results**

95CM0025B Hong Kong CHIU-SHIH NIEN-TAI [THE NINETIES] in Chinese No 279, 1 Oct 94 pp 39-41

[Commentary by Ho Li (0149 4539): "District Board Election: Everyone Claims To Be the Winner"]

[FBIS Translated Excerpt] [Passage omitted] Regarding the outcome of the recent District Board elections, the first participant calling itself a winner is the Hong Kong Government, on the basis of the record-breaking number of voters. Close to 700,000 people turned out to cast ballots in the election. This number represents an all-time high and is 60-percent higher than the 420,000 voters in the last election (1991). The turnout rate was also higher than in the last election. In light of this, Hong Kong Governor Chris Patten, who has "blatantly" pushed the political reform program, has every reason to speak in a positive tongue. Asked what message the election has given to the Chinese side, the governor said the message is that Hong Kong is a "mature society" and that the election "was no threat to anyone."

Other senior officials of the Hong Kong Government also made some "tit-for-tat" statements on election day. For instance, Chief Secretary Chen Fang An-sheng said: If the Chinese side wants to dissolve the three-tier legislature, it should explain to the Hong Kong people how it will dissolve the present structure and ensure fair and open elections in the future. Another example is the reaction of Constitutional Affairs Secretary Wu Jung-kui to the Chinese side's announcement that it will "tear down the kitchen." Local residents, he said, should grasp the present opportunity to do as much as possible to lay a sound foundation, which will yield a good result in the future.

Most papers and periodicals have affirmed the "success" of this District Board election. They point out that both the number of voters and the turnout rate were inspiring and that the operation and order of the election were good, suggesting that the Hong Kong people have become increasingly mature in their understanding of the rights of citizenship. In particular, the voters' intention to cast ballots was not affected by the Chinese side's announcement on "tearing down the kitchen." This, they say, reflects the common aspiration and will of the Hong Kong people.

Among the numerous positive comments, the most agreeable to the Hong Kong Government were the words of Teng Lung-wei, lecturer of the Department of Sociology at the Chinese University of Hong Kong, who has long engaged in investigations and analyses of Hong Kong elections. According to his comments, the fact that the total number of voters exceeded the last election by 60 percent has given powerful support to Chris Patten in continuing his political reform program. [passage omitted]

All parties and factions that participated in this election have some reason to say that they are winners instead of losers. More than one half of the candidates had party backgrounds, but before the election, most of the parties had not set or revealed their goal; that is, how many of their members needed to be elected for them to claim success in the election. Because of this, they can always find some reason to say they are winners regardless of how many of their candidates were actually elected.

In this so-called great trial of strength among political parties, the United Democrats of Hong Kong, known as the flagship of democrats, together with the Meeting Point (this combination is called the Democratic Party), sent out more than 130 fighters, of whom 75 won their elections. They thus gained the largest number of seats among the parties and factions taking part in the election. Even though the Democratic Party has been constantly blocked and threatened by the Chinese side, and the candidates it nominated were mostly new, it still won popular support and scored a great success. So the Democratic Party should be regarded as the great winner in this election. Another democratic political party, the Association for Democracy and People's Livelihood, had 40 candidates, and 29 were elected. The result was also fruitful.

The Democratic Alliance for the Betterment of Hong Kong, the flagship of the pro-China camp depicted as an opponent to the democrats, showed its prowess after "intensive and meticulous" mobilization and maneuvers conducted by leftist trade unions and organizations at the district level. Shortly before election day, however, information leaked out that party leader Tseng Yu-cheng was making emigration arrangements for his wife and daughter. This created an "incident" which evoked extensive criticism from the public. It goes without saying that the incident had a certain degree of impact on this party, which advocates "staying in Hong Kong to build Hong Kong." In spite of this, the party still had 37 candidates elected out of the 83 it nominated, winning second place among all parties in terms of the number of candidates elected. This is why the party leader proclaimed that the result of the battle showed "no big mishap." What is noteworthy is that this party has spent quite a lot of manpower and material resources for this election and has created a sensation that no other party could match—a fact showing the unparalleled organization and mobilization ability of this biggest pro-China party.

As for the Liberal Party, which neither belongs to the democrats nor is shielded by Beijing's political umbrella, the result of the battle is relatively "tragic." It had 90 candidates, but only 18 were elected. Party leader Li Peng-fei has an explanation for this, saying that his party has only a short history and that its members have not done very much work at the district level and "have not gone deep enough among the people." In view of this, the result it achieved is not beyond expectations. Moreover, the result is not entirely fruitless. Through this election battle, he said, at least some experience has been "gained."

With regard to the candidates nominated by small parties and factions and those independent campaigners who had no party flag to flaunt or who styled themselves as nonpartisans, they could still win some 120 seats of the 346 vacant slots. This indicates that there is ample room for them to act at the district level.

In fact, in this big battle, all parties can make an acceptable forecast of the two big campaigns to be held next year and know how to prepare for them based on the results of the District Board election. In particular, as the distribution of districts has been initially worked out for the 20 directly elected seats for next year's Legislative Council election, they should be able to forecast the number of votes they can get from each district. As for the 10 Legislative Council seats to be elected by the more than 300 District Board members, it is expected that all parties will plan and calculate carefully so as to reap the greatest profits and become a more successful winner. [passage omitted]

Needless to say, the bigwig in the north, who has vowed to "tear down the kitchen" in 1997, is also unwilling to confess that he is a loser. Now he is watching the political reform carried out "one-sidedly" by the British Hong Kong authorities. In 1997 he will overthrow the existing structure and start afresh. The Hong Kong people have no doubt about the bigwig's determination in this regard. However, they feel that this constantly publicized announcement of "tearing down the kitchen" and other statements made by the Chinese side are merely a show of power, while their contents are full of contradictions.

With regard to Chris Patten's "elation" over the rise in the number of voters at the election, the Chinese media have immediately started to refute it, saying that the turnout rate was only 0.6 percentage points higher than in the last election. The election, they say, had such a low turnout rate even though the Hong Kong Government and all political groups had made extensive efforts to encourage people to vote. This very fact, they conclude, "proves that most residents were not interested in this kind of election." As for the increase in the number of voters, the Chinese media say one of the reasons is that "a sizable number of people who are opposed to Chris Patten but love the country and Hong Kong have cast their votes simply because they wanted to exercise their rights and fulfill their duty."

This argument has raised the following questions: First, before the election, the Chinese media tried to campaign for the "patriotic and Hong Kong-loving" political groups and to call on the public to actively participate in voting and cast their ballots for "those who love the country and Hong Kong." If the low turnout rate was due to the public's lack of interest in this kind of election, isn't the ineffectiveness of the call made by the Chinese side also a reason for the low turnout rate? Second, if the increase in the number of voters was because a sizable number of people who "love the country and Hong Kong" wanted to exercise their rights, then shouldn't a higher percentage of "patriotic and Hong Kong-loving" candidates have been elected while those who "are opposed to China and want to create chaos in Hong Kong" should not have won so many seats? However, the fact is that, under the influence of the "incident" created by a certain party, even those voters who "love

the country and Hong Kong" changed their minds at the crucial moment, and their sacred votes went to the "enemy's" camp.

As a matter of fact, the Chinese side has good reasons to claim that it is a winner. First, the "4 June" effect on this District Board election has dwindled. The situation differed from that in 1991 when candidates waving the authentic leftist banner suffered an almost complete failure, when the pro-China label was seen as a "kiss of death." Second, among the "independent figures" with no party backgrounds, the vast majority will become "aware of the situation" after being elected and can be pulled over by the Chinese side through the "united front" strategy. Unfortunately, however, neither of these can be said plainly by the bigwig in the north. The first one involves the "4 June" incident, a taboo for the authorities. While it can be said by others, it must be avoided in official statements. The second is what the Chinese side will surely do because the "united front" strategy is its old line. But the official mouthpiece cannot say this in explicit terms. [passage omitted]

Finally, we will sum up the results of this District Board election from the electorate's viewpoint:

First of all, let us look into the number of voters and the turnout rate. While the turnout rate showed only a slight rise, the number of voters did increase to a great extent. Even though this does not necessarily prove the Hong Kong people's support for Chris Patten's political reform program, it at least indicates that the Chinese side's constant publicity of "tearing down the kitchen" did not dampen the Hong Kong's people's intention to vote. As revealed by surveys conducted at some polling stations on election day, from 60 to 70 percent of the voters said that dissolution of the three-tier legislative structure by the Chinese side after the 1997 change of power had no effect on their participation in voting. What is more, most voters were opposed to the replacement of the three-tier legislative structure by a new system.

In addition, the surveys at polling stations reveal that at the district level, the voters' actions were dictated mainly by the candidates' work ability and past performance. These two factors had a much greater influence on the voters' actions than the candidates' party backgrounds. That is to say, the "party effect" was not the most important factor in the District Board election. Both authentic "pro-China" parties and those branded as "anti-China" factions could have been elected if they had done good work in the district. However, the surveys at polling stations did not specifically investigate the "4 June effect," nor did they give a clear quantitative treatment to the responses to the "spacewoman's effect" created by the emigration issue involving Tseng Yucheng's wife—Tseng is the leader of the Democratic Alliance for the Betterment of Hong Kong, and because of the emigration issue, his wife has become known as a "spacewoman."

It should be noted that the electorate has, through this election, created a legislative body composed of members with diverse backgrounds. There are not only members who dare to say "no" to the Chinese side, but also those who can "communicate and exchange ideas" with the Chinese side.

Of course, the electorate is not an out-and-out winner. This is because the bigwig in the north will "tear down the kitchen" after the 1997 takeover; that is, he will overthrow the three-tier legislative structure and set up a new one. Though most Hong Kong people do not think "tearing down the kitchen" is a wise action, they have no doubts about the Chinese side's determination to "hit a dead crab with a big stone." At this District Board election, however, the Hong Kong people's intention to vote was in no way affected by the Chinese side's determination to "tear down the kitchen." Instead, they still turned out to "cast the ballots." This may give a message: More and more Hong Kong people have cherished the idea of grasping the present opportunity and seizing the day and the hour. In the words of Hong Kong Government official Wu Jung-kui, this means doing as much as possible to lay a sound foundation, which, it is hoped, will yield a good result in the future.

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